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JULY 19TH-25TH 2014

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Why congressmen are safer than kings

Big data, huge benefits

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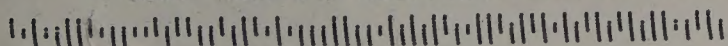
America's lost oomph

Why its long-term
growth rate has
slowed



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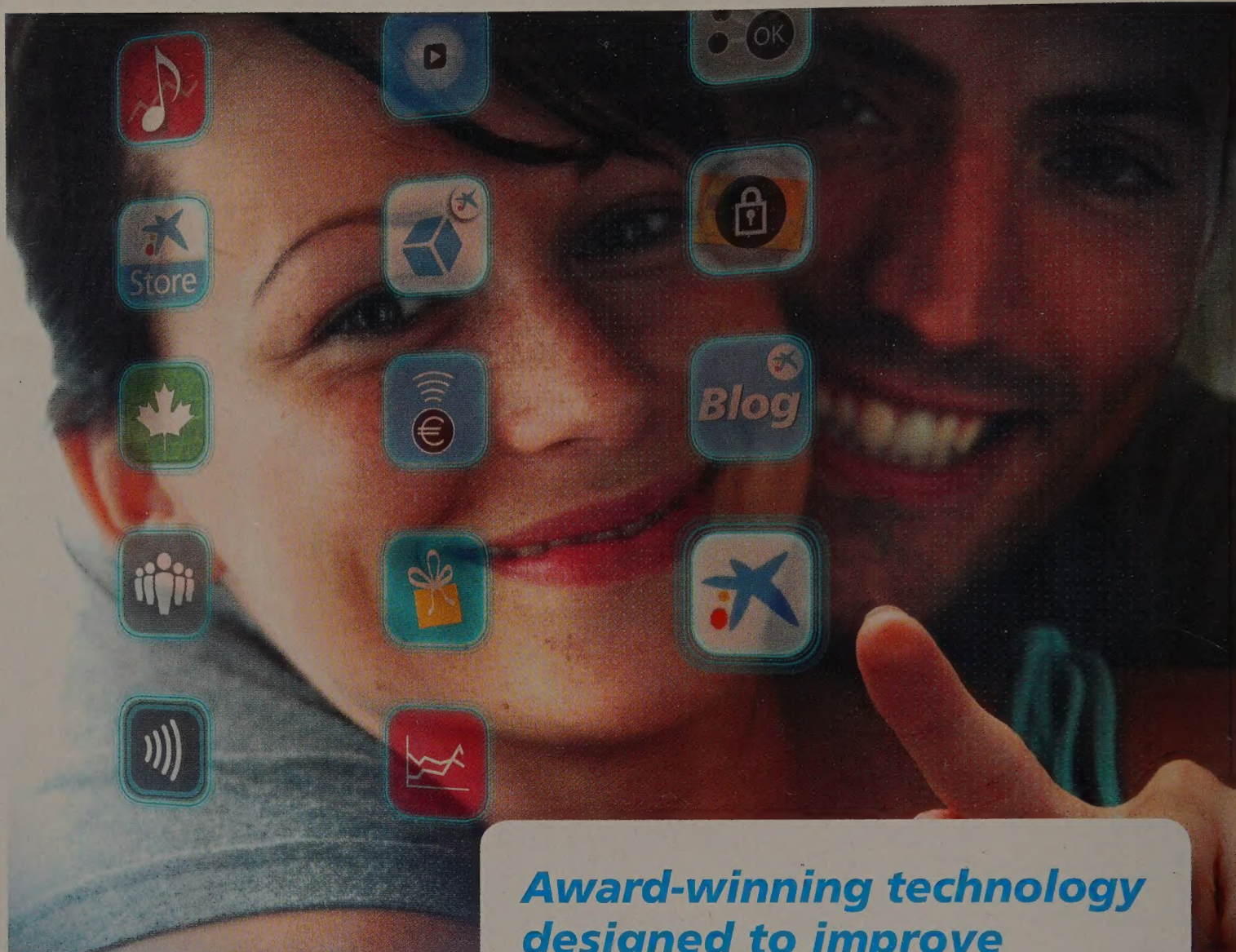
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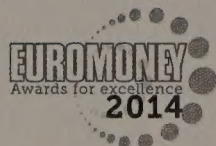
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On the cover

America's potential growth rate is barely half what it was two decades ago. Here's how to raise it: leader, page 9. New figures on the slowdown, pages 23-24

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7 The world this week

Leaders

- 9 The American economy
Lost oomph
- 10 Afghanistan's election
A useful crisis
- 10 Europe's future
Another fine mess
- 11 Britain and Hong Kong
No panderers, please: this issue's black and white
- 12 Assisted suicide
Easeful death

Letters

- 14 On Poland, Europe, banks, partnerships, Germany, trilemmas

Briefing

- 23 America's economy
Jobs are not enough

United States

- 25 Job security in Congress
The royals of Capitol Hill
- 26 How the world sees America
Still on a hill
- 27 Rape and child custody
A question of proof
- 27 Untested rape kits
Evidence gathers dust
- 28 Georgia's Senate race
Tossing rotten fruit in the Peach State
- 29 Bar games and lawyers
Skee-ball wizards
- 29 Food names
Stressed are the cheesemakers
- 30 Lexington
The politics of the border crisis

The Americas

- 31 Venezuela's oil diaspora
Brain haemorrhage
- 32 Bello
Moderation in Chile
- 33 Regional diplomacy
Monogamous no more
- 33 Panama hats
Hold onto your headwear

Asia

- 35 Sanitation in India
The final frontier
- 36 Japan
Not quite so invincible
- 37 Cambodia's politics
The vision thing
- 37 Gays in Singapore
The pink and the pulp
- 38 Australia
Carbon tax axed
- 38 Asian fears of China's rise
Jittery neighbours

China

- 39 Hong Kong's media
Tamed hounds
- 40 Family planning
One-child proclivity
- 40 Anti-corruption drive
Anchor away

Middle East and Africa

- 41 Israel and Gaza
When and how will it end?
- 42 Conditions for a ceasefire
Why Hamas fires rockets
- 42 Libyan television
Telling it as it is
- 43 Iran's internet politics
Everyone's doing it
- 43 Tourism in Saudi Arabia
Wish you were here
- 44 Demography in Nigeria
They still prefer boys

Europe

- 45 Françafrique
Hollande's adventures
- 46 Eastern Ukraine
Fighting on
- 47 Italy's judicial system
Justice denied?
- 47 Europe's top jobs
Indecision time
- 48 Hungary's foreign policy
Brussels v Moscow
- 48 Slovenia's election
A new man for the job
- 49 Charlemagne
Hail Helvetia



Congressmen and kings

How a lack of competitive races in the House makes for bad government, page 25. Two Republicans wrestle for the right to take on Michelle Nunn, page 28



Filth in India Fixing dreadful sanitation in India means not just building toilets but also changing cultural habits, page 35



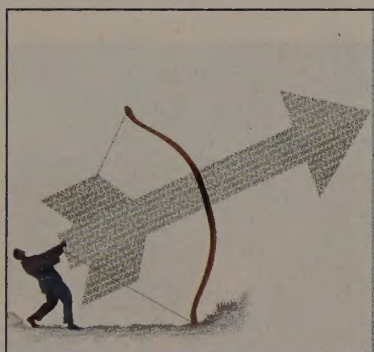
Hong Kong's liberties Britain needs to rediscover its moral compass, and confront China over Hong Kong: leader, page 11. The press in Hong Kong, though still free, has lost much of its bite, page 39



Low-cost IVF In vitro fertilisation, once seen as miraculous, is now mainstream in rich countries. Soon it may be cheap enough to help infertile people in poor places, too, page 53



Cheating and communism The more people are exposed to socialism, the worse they behave, page 62



Big data Businesses should aim for lots of small wins from "big data" that add up to something big: Schumpeter, page 60

Britain

- 50 **The reshuffle**
Dressing up for the election
- 51 **Britain and Europe**
The road to 2017
- 52 **Bagehot**
Cannonball Clarke

International

- 53 **Low-cost IVF**
Maybe babies
- 54 **Assisted suicide**
Where to go to die
- 54 **Wild-animal products**
Bitter trade

Business

- 55 **Weapons-makers**
The case for defence
- 56 **Japanese arms firms**
Late starters
- 57 **Tobacco**
An urge to merge
- 57 **Drugmakers**
A new home for orphans
- 58 **Corporate computing**
Big Blue Apple
- 59 **Shell, Exxon and carbon**
The elephant in the atmosphere
- 59 **The film industry**
Rated "P" for persistent
- 60 **Schumpeter**
Big data, small wins

Finance and economics

- 61 **The euro-zone economy**
Losing the plot
- 62 **The BRICS bank**
An acronym with capital
- 62 **Economics and ethics**
Lying commies
- 63 **Buttonwood**
Asset allocation
- 64 **Egypt's economy**
Pharaonic frailties
- 64 **Citigroup**
Paying up and moving on
- 66 **Free exchange**
Infrastructure and development

Science and technology

- 67 **RoboCup**
Humans 1, Machines 7
- 68 **Claws!**
A strange, new fossil arthropod
- 68 **Alzheimer's disease**
Recherche du temps perdu
- 69 **National security**
Intelligent intelligence
- 69 **Chemical weapons**
Mustard plants, not mustard gas

Books and arts

- 70 **Art from the Middle East**
"Here and Elsewhere"
- 71 **Volcanoes**
Vulcan's twins
- 71 **Fine Burgundy**
Grapes, sour and sweet
- 72 **Yasmina Reza**
Unhappy families
- 72 **Buildings and architects**
Bricks and mortals
- 73 **Clare Boothe Luce**
Woman of substance
- 73 **Alan Stanbrook**
An appreciation
- 76 **Economic and financial indicators**
Statistics on 42 economies, plus a closer look at consumer food-price inflation

Obituary

- 78 **Nadine Gordimer**
South African writer and anti-apartheid advocate



RoboCup When will robots do to football what computers did to chess? Page 67

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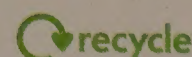
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Politics



David Cameron reshuffled his cabinet in the biggest shake-up to his government since becoming **British** prime minister in 2010. William Hague stepped down as foreign secretary and Michael Gove (above), who was entangled recently in a row about Muslim extremists in schools, was removed as education secretary. The reshuffling of the cabinet and of the junior ministerial ranks brought in younger faces, some of them female, to break the government's image of being "male, pale and stale", but it also brought in more Eurosceptics.

The Church of England's General Synod voted to allow **women as bishops** for the first time in its history, two decades after letting women become priests. Traditionalists had blocked a previous vote on the issue.

A court in the **Netherlands** ruled that the Dutch state is liable for the deaths of more than 300 Bosnian Muslim men and boys who had sought shelter in the UN compound in Srebrenica in July 1995 but were turned over to Bosnian-Serb forces. The compound had been under the protection of Dutch peacekeepers. Bosnian-Serb paramilitaries went on to massacre around 7,000 Bosnian men of military age in and around Srebrenica.

At least 23 people were killed and more than 200 injured when an underground train derailed in **Moscow**. A power surge appears to have been the reason for the train to stall, causing cars to come off the rail tracks.

Fighting in eastern **Ukraine** continued between the army and pro-Russian separatists. Violence escalated after a Ukrainian military transport aircraft was shot down. With more civilians being killed the conditions for agreeing another ceasefire seemed to slip out of reach. America imposed a new round of **sanctions** on Russian companies, causing share prices to tumble in Moscow and a fall in the rouble.

Slovenia's general election was won by Miro Cerar, who formed a party (named after himself) only last month. Mr Cerar, a legal adviser to parliament, won 36 of its 90 seats.

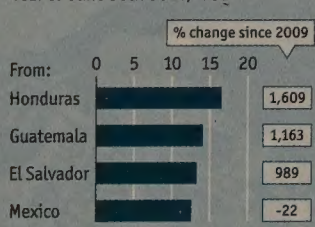
Germany won the **World Cup** by 1-0 over Argentina thanks to a late goal in Rio de Janeiro's Maracanã stadium.

The ruin to roads

America's House of Representatives passed a temporary patch to fund **federal highway** projects after months of delay had put hundreds of thousands of construction jobs at risk. But Barack Obama said that Congress was merely "kicking the can down the road"; he has proposed a \$300 billion transportation programme to repair America's crumbling infrastructure.

Unaccompanied children stopped at US border

Year to June 30th 2014, '000



Congress also prepared a bill in response to Mr Obama's request for emergency funding to tackle the influx of unaccompanied children from Central America, mostly on the **Texas border**. Republicans considered an amendment that would give the migrants the choice to be sent back home—as happens with Mexican children who cross the border—rather than await a deportation hearing.

Bombardments

Operation Protective Edge, an Israeli military campaign to stop Hamas, a Palestinian Islamist movement, from firing rockets from Gaza into **Israel**, continued into a second week, leaving more than 220 **Palestinians** dead. Most of the victims were civilians. One Israeli was killed by a mortar fired by Hamas, which rejected a ceasefire proposed by **Egypt** and accepted by Israel.

Salim al-Juburi, a Sunni Islamist, was elected Speaker of **Iraq's** parliament, raising hope that the prime minister, Nuri al-Maliki, will strengthen his Shia-dominated government by including more Sunnis and Kurds in senior posts. Jihadists still threaten Iraq's regime, having captured a series of towns in the north and west.

Negotiations between six world powers and **Iran** over its nuclear programme remained sticky, but the six-month interim agreement that expires on July 20th was still expected to be extended for another six months.

The World Health Organisation said that the number of Ebola cases in **Guinea, Liberia** and **Sierra Leone** had risen by 14% in the past week, bringing the death toll since the outbreak of the disease a few months ago to more than 600.

Troubled waters

China began the removal of an oil rig near the Paracel islands in the South China Sea. Its deployment in May had provoked intense anti-Chinese protests in Vietnam, which claims the waters, and criticism from America that China was being "aggressive". The Chinese state oil firm involved said it would analyse data before deciding its next step.

More than 40 people were killed as a car, packed with explosives and being chased by police, detonated in a crowded market in Paktika in a border area of east **Afghanistan**. Afghan Taliban insurgents denied responsibility, but said they were behind an

attack two days later on Kabul's airport, in which four militants were killed.

Australia became the first country in the world to repeal a measure to reduce greenhouse-gas emissions when the Senate voted to overturn the carbon tax, which Tony Abbott, the prime minister, promised to ditch when his party won an election last year. In a bad week for Australia's image, it was also heavily criticised by the UN and Amnesty for returning a boat filled with Tamil asylum-seekers to Sri Lanka.

Thailand's military junta, which seized power in May, gave Yingluck Shinawatra, the ousted prime minister, permission to travel abroad, because she has not violated her ban from politics.

A BRICS wall of defence



Leaders of the BRICS countries, meeting in Brazil for their sixth annual summit, announced the launch of a **BRICS development bank**, to be headquartered in Shanghai. A \$100 billion reserve fund, to be drawn on by members during crises, was also created.

The leaders of Russia and China took advantage of the summit to tour Latin America. Vladimir Putin sealed **energy deals** with Cuba, Argentina and Brazil; he also made the first visit by a Russian president to Nicaragua.

Manuel Noriega, a former dictator of Panama, sued Activision, a video-games publisher, for using his likeness without permission in a war game called "Call of Duty: Black Ops II". Mr Noriega filed the suit from a prison cell in Panama. ►►

Business

Citigroup reached a settlement with American authorities for knowingly selling toxic mortgage-backed securities before the financial crisis. It agreed to pay penalties of \$7 billion, \$4 billion of which goes to the Justice Department. Citi accounted for the charge in its second-quarter earnings, virtually erasing its profit for the period. Regulators in America have imposed fines totalling more than \$35 billion on banks this year, and there is more to come.

Bank of America, which is still negotiating the terms of its mega-settlement for mis-selling mortgage products, blamed other legal costs for a 43% fall in quarterly net profit compared with the same period last year. It made \$2.3 billion. Meanwhile, **JPMorgan Chase** said it had earned \$6 billion, 8% less than a year ago. **Goldman Sachs** bucked the trend by reporting a 6% rise in net profit to \$2 billion, helped in part by its investments.

In poor spirits

An air of uncertainty hung over **Banco Espírito Santo**, one of Portugal's biggest lenders, following a 17% fall in its share price on July 10th, which spooked stockmarkets and raised Portugal's borrowing costs on the bond markets. The bank's troubles arise from concerns about its exposure to debt in its parent companies. Investors gave a cautious welcome to assurances from Portugal's central bank that BES is adequately capitalised.

China's economy grew by 7.5% year-on-year in the second quarter, up from 7.4% in the first quarter and in line with the government's target for annual GDP growth. Industrial production rose in June by 9.2% year-on-year, the fastest pace in six months.

Jacob Lew, America's Treasury secretary, pushed Congress to enact a bill that would tighten the rules on "inversion" takeovers, where an Ameri-

can company buys a foreign firm partly in order to move its tax domicile to a country with lower corporate rates. There have been several high-profile attempts at such deals this year; the latest involves Walgreens reportedly thinking about relocating to Switzerland if it buys the remainder of Alliance Boots. Mr Lew, in a leaked letter, described inversion deals as an "abuse of our tax system".

Another effort at striking an inversion deal inched forward when **Shire**, a British drugs company domiciled in Dublin, said it was now willing to recommend a revised \$54 billion offer from America's **AbbVie** to shareholders provided other terms of the bid can be resolved.

A deal with the devil

Apple's announcement that it was teaming up with **IBM** raised a few eyebrows. The pair will create apps for businesses that draw on Apple's functionality and IBM's cloud-computing and security expertise. It is Apple's first significant thrust into corporate services and amounts to a sea change in its philosophy; Steve Jobs once described IBM as representing the "computer Dark Ages".

Time Warner said it had received a takeover offer from Rupert Murdoch's **21st Century Fox** but had rejected the proposal. The media behemoths are apparently not in formal discussions, but that didn't stop Time Warner's share price from soaring.

Yahoo's quarterly earnings fell short of expectations. In a prudent move, Yahoo again reduced the number of shares it will sell in Alibaba's forthcoming IPO so that it can retain a substantial stake in the growing Chinese e-commerce firm.



Google selected Alcon, the eye-care unit of Novartis, a Swiss drugs company, to be its partner in developing **Google Lens**. The "smart" contact lens is being created to help monitor diabetes through a sensor that sends out information on glucose levels in the wearer's tears. The information is trans-

mitted through a radio antenna embedded in the lens that is thinner than a human hair. Novartis tried to come up with similar lenses several years ago; Google's lens will not be available for some years yet.

Reynolds American, the second-biggest tobacco company in the US, agreed to buy **Lorillard**, the third-biggest, in a \$27 billion acquisition. To stave off antitrust concerns the pair are selling some of their better-known cigarette brands, including Kool, Winston and Blu, a bestselling e-cigarette, to Britain's Imperial Tobacco in a \$7 billion side deal.

Wings and a prayer

Airbus promoted its new wide-bodied long-haul jet at the Farnborough air show. The A330-300 (new engine option) is still on the drawing board. It is designed to compete with Boeing in the long-range market, in which the American company has a lead. The other big news from Farnborough was the no-show of a new Lockheed Martin **F-35 fighter jet**, at \$400 billion the world's costliest weapons project. The Pentagon has grounded it because of an engine fire.

Other economic data and news can be found on pages 76-77



America's lost oomph

The country's potential growth rate is barely half what it was two decades ago. Here's how to raise it



BACK in the mid-1990s, America's economic prospects suddenly brightened. Productivity soared. Immigrants and foreign capital flocked to take advantage of what was quickly dubbed the "New Economy". The jobless rate fell to 4%, yet in-

flation remained low. All this led economists to conclude that America's potential rate of growth—the speed at which the economy can expand while keeping unemployment steady and inflation stable—had risen sharply from its decades-long average of 3%, to 3.5% or even higher.

Sadly, the New Economy is no more. The recovery from the recession of 2008-09 has been the weakest of the post-war era, and evidence is mounting that America's potential growth rate has plummeted. Its two big determinants, the supply of workers and the rise in their productivity, have both fallen short. Performance in the past year has been particularly feeble: America's labour force has not grown at all and output per hour worked has fallen. The IMF recently cut its estimate of the country's potential rate of growth to 2%. Other economists put it as low as 1.75% (see page 23).

So far, the slide in potential has had little practical impact. Because the recession was so deep and the recovery so weak, the economy is still operating below its capacity. But in the long term a halving of the economic speed limit would have grim consequences. Living standards would rise more slowly, tax revenues would be lower and the burden of paying today's debts heavier.

Solving the short-term problem means boosting demand, so the Federal Reserve should keep interest rates low. But to pep up long-term growth, America also needs to address the supply side. In particular, it needs more workers and faster increases in productivity.

The not-so-mysterious case of the disappearing worker

The number of working-age Americans rose by an average of 1.2% a year in the 1990s, and by a mere 0.4% in 2013. The proportion of them actually in the workforce has fallen from over 67% to less than 63%. The recession is partly to blame, because after years of joblessness some people have given up looking for work. That is one reason why boosting the recovery is important. The ageing of the baby-boomers is another reason. The number of people in their late 50s (when participation in the workforce starts to drop) and older is rising fast.

Both these vulnerabilities are exacerbated by a self-inflicted problem: policies that depress the supply of workers. Most damaging is America's broken immigration system. Getting into the country has become much more difficult. The number of visas issued today for highly skilled people is a fraction of what it was in the 1990s, even as the number of unfilled vacancies for skilled workers soars. Deportations have surged and the southern border has become far harder to cross.

Obamacare, though good in other respects, tends to shrink the labour force because it helps people get health care with-

out working. There is less to be said for the outdated social safety net, which manages both to be stingy and to discourage work. America spends a smaller proportion of its GDP than other rich countries on retraining the jobless and helping them find work. It has not raised the retirement age and it has allowed its disability-insurance system to become an ersatz welfare scheme. The number of workers on disability, hardly any of whom will work again, has doubled since 1997 to 9m. For once, Europe could teach America some labour-market lessons: thanks to welfare reforms, the proportion of Europeans in the workforce is now rising.

The mystery of the slump in productivity

In the long run, the most powerful way to boost growth is for workers to become more productive, as they did in the 1990s. But raising productivity is hard, and the recent slump puzzling. Innovation drives productivity growth, and a dizzying array of new developments, from "big data" to the "internet of things", suggests that innovation is speeding up. Yet the growth in the average worker's output per hour was slowing before the 2007 crisis and has fallen further since.

That may change, because it takes a while for firms to react to disruptive technologies. Computers started to spread in the 1980s but their impact did not show up in the data for more than a decade. The latest surge in innovation will also take a few years to translate into higher output per hour. The slow recovery from the recession may have lengthened this delay, by deterring many firms from investing in information technology. But here, too, politicians have made matters worse.

There is much America's government could do to boost investment. It could, for instance, increase public spending on infrastructure. It could reduce the sky-high corporate tax rate which encourages firms—such as AbbVie, which is proposing to shift its base to Britain by buying Shire (see page 57)—to move abroad rather than invest at home. And it could start cutting the endless sprawl of job-destroying regulations that companies say is a worse problem even than taxes. It is doing none of these things.

The impact of a supply-side revolution, with immigration reform, an overhaul of disability and training schemes, infrastructure investment, deregulation and corporate-tax reform all high on the agenda would be gradual. But even the prospect would strengthen the recovery, by encouraging investment and deterring the Fed from raising interest rates too soon.

Thoughtful politicians have produced schemes for radical change in almost all of these areas, but their plans—like so much else—have fallen victim to America's polarised politics. The Republicans stand in the way of loosening immigration rules, while Democrats fear that supply-side reforms are a plot to hurt the average Joe. Both sides hoover up cash from special interests keen to keep anticompetitive regulations in place. Barack Obama, the least business-friendly president for decades, has devoted far too little attention to the problem. So the odds rise that America's economy will continue to lumber along at an underwhelming pace, and Americans will have no one to blame but their leaders. ■

Afghanistan's election

A useful crisis

A fudge between two feuding presidential candidates may offer a political road map



HOLDING a presidential election in Afghanistan only months before the withdrawal of Western combat forces was bound to be risky—even before one of the candidates, Abdullah Abdullah, reacted to preliminary results showing

a suspiciously big lead for his opponent, Ashraf Ghani, by alleging “industrial-scale” fraud. The political crisis could have plunged the country into chaos and even war.

Yet this dangerous moment could turn out to be oddly productive. Disaster has been averted thanks to the banging-together of heads by America’s secretary of state, John Kerry, and to the good sense of the presidential candidates, who stared into the abyss and retreated. Their deal points towards a political structure that should work better than the current one.

Come on, it's Afghanistan

In the first round of the election to replace Hamid Karzai as president, nearly 7m Afghans turned out to vote. But in the second, Dr Abdullah made no gain at all from the 45% of the vote he had secured in a crowded field; meanwhile, the share of his rival, Mr Ghani, leapt from 31% to 56%. Suspiciously, turnout increased by more than 1m votes. Mr Ghani has the backing of Mr Karzai, who stole the election from Dr Abdullah in 2009. This time Dr Abdullah’s backers threatened to establish a breakaway government. That might lead to civil war.

Barack Obama called Dr Abdullah and threatened to stop all American military and financial aid. Dr Abdullah backed down. In return, America has promised a full, internationally supervised audit of every vote cast. The inauguration of a new president has been postponed from August 2nd to the end of the month. In truth it is not at all clear how much fraud an audit

will pick up. But both candidates have promised to accept the result, and that matters more than the actual tally.

As well as being a short-term fix, the deal holds out the promise of a solution to the structural problems of Afghanistan’s politics. Too much power resides in the office of the president. In 2004, when the constitution was ratified, extreme centralisation—for example, all provincial governors and police chiefs are appointed by the president—seemed the best way to hold the country together. Now it is pulling it apart. Political loyalties and social ties require local expression. But Mr Karzai’s ability to bypass institutions by forming his own network of patronage has stunted the development of Afghan democracy and done nothing to cut corruption. A bizarre voting system, crying out for reform, has prevented the formation of real political parties and resulted in a weak and fractious legislature.

Under the deal brokered by Mr Kerry, there will be a government of national unity. The election-winner will be president, but the loser (or his nominee) will be “chief of the executive council”, a new position implying power-sharing. Then, after two years, there will be a *loya jirga* (a gathering of tribal elders, local power-brokers and elected officials) to approve constitutional changes that include the creation of the post of prime minister. He would rank below the president but have executive powers.

Such a structure would better reflect the reality of a country that is ethnically diverse, corrupt, Byzantine and more comfortable with give and take than a winner-takes-all politics. It might also offer a route out of violence for those Taliban who are not implacable ideologues but feel shut out by the present system. If Afghanistan’s leaders can make it work, they will be doing their country a huge service.

As so often happens in Afghanistan, everything could still go suddenly wrong. But Mr Kerry has helped ensure that a good crisis has not gone to waste. ■

Europe's future

Another fine mess

Lessons from the European Union's embarrassing failure to settle its top jobs



THE European Union is chronically bad at filling its most senior jobs. The choice of Luxembourg’s Jean-Claude Juncker, a federalist insider, as president of the European Commission was a poor response to the many ordinary folk who are

dissatisfied with the EU. It was also an unwelcome power grab by the European Parliament, which arrogated to itself the right to nominate Mr Juncker and “elected” him this week.

Yet national leaders manage little better. This week they met to carve up the other top jobs, in a process dominated by

political horse-trading and tokenism. The two main positions at issue were the president of the European Council, the leaders’ club, and the EU’s foreign-policy supremo. In the event, after a long squabble, the EU summit could agree on neither. It will now reconvene in late August (see page 47).

For Europe’s leaders to fail to agree on these other jobs, so soon after the Juncker debacle, betrays a shameful negligence. As May’s European elections showed, the EU is in deep trouble. Its economy is stuttering, its voters are increasingly hostile to the project, and Russia’s intervention in Ukraine has created a big foreign-policy crisis. This is not a good moment for vacillation. Moreover, there is a fine candidate for the European Council presidency in Helle Thorning-Schmidt, the Danish ►►

prime minister. She fits the bill as a woman from the centre-left, to set against Mr Juncker, a man from the centre-right. The sole objection to her is that Denmark is not in the euro. Yet, given anxieties about dividing the EU into “ins” and “outs”, and keeping Britain a member, that should be a plus, not a minus.

It was the nomination of Federica Mogherini, Italy's foreign minister, as the EU's foreign-policy chief that blocked any deal. On paper Ms Mogherini sounds good: young (just 41), bright, sober and hard-working, she is in many ways a welcome contrast to Mr Juncker. But she has two counts against her. One is a lack of experience, after just four months as Italian foreign minister. The other, more substantial problem is her cravenness towards Russia. Her first trip abroad during Italy's six-month presidency of the EU was to Kiev and then Moscow, where she talked of compromise in Ukraine and implicitly accepted Russia's interests there. Worse, she has positively welcomed the EU's energy dependence on Russia, backing the controversial South Stream pipeline that would help the EU to import more Russian gas, bypassing Ukraine.

Use your time wisely

Despite this week's impasse, Ms Mogherini remains the front-runner. But European leaders should use the time they now have to find a better candidate. She (or, if the leaders show a reckless disdain for gender balance, he) needs to score in both the areas where Ms Mogherini is weak.

The idea that experience is optional for the EU's foreign minister is dreadfully reminiscent of the choice in 2009 of Britain's Cathy Ashton, another diplomatic novice whose appointment was a sop to Gordon Brown. Lady Ashton exceeded expectations: after a shaky start, she was a decent chair of the foreign-affairs council and a reasonably successful negotiator with Iran and in the western Balkans. But the job of High Representative of the Union for Foreign Affairs and Security Policy is a huge one. It requires both administrative experience (to knock Eurocrats' heads together) and political clout (to cut a figure abroad, where diplomacy is bolstered by gravitas, and to marshal the EU's unruly national foreign ministers).

In dealing with Russia, these attributes are urgently needed. The EU has struggled to unite over its eastern neighbour, and Vladimir Putin, Russia's president, has skilfully exploited its divisions. Italy, like Germany, has been reluctant to impose tough sanctions on Mr Putin for his illegal annexation of Crimea and his interference in eastern Ukraine. Yet a revanchist Russia could be the EU's biggest foreign-policy problem over the next few years. Instead of the emollient, untested Ms Mogherini, the EU should choose someone astringent and weighty. Ms Mogherini's compatriot and predecessor, Emma Bonino, would be a good choice. Better still would be either the foreign minister of Poland, Radek Sikorski, or that of Sweden, Carl Bildt. The EU complains about not being taken seriously in the world. Here is a chance to change that. ■

Britain and Hong Kong

No panderers, please: this issue's black and white

Time for Britain to rediscover its moral compass and confront China over Hong Kong



ON JULY 15th Hong Kong's leader, Leung Chun-ying, presented a report to China's leaders in Beijing on how to reform the territory's electoral system. In it he suggested that most Hong Kongers were perfectly happy with a system under which a rigged committee of worthies weeds out anyone the mainland does not like, and did not want greater political freedom. The report angered many in the former British colony, who complain that China no longer respects the unique formula of “one country, two systems” under which Hong Kong is supposed to be governed and believe its actions so far suggest it will not keep its promise to allow universal suffrage in the election of the territory's leader by 2017. Amid the uproar, however, one voice has been notably silent: that of Britain.

In 1984 Margaret Thatcher signed the Sino-British Joint Declaration with a Chinese leader, Zhao Ziyang. The document laid the groundwork for Hong Kong's Basic Law, its post-hand-over constitution. For several years after Britain handed over power in 1997, China adhered scrupulously to the Basic Law. This week, amid growing concerns for Hong Kong's autonomy, two senior Hong Kong politicians, Martin Lee Chu-ming and Anson Chan Fang On-sang, visited London hoping to meet David Cameron. They succeeded only in seeing Nick Clegg, the deputy prime minister, who told them that Britain “will not shy away from defending the principle of one country, two

systems”. Yet that is precisely what Britain is doing.

As China has become more powerful, it has exerted increasing influence in Hong Kong—over the electoral process, by leaning on editors to tone down criticism of China (see page 39), and through its pressure on religious groups, such as Falun Gong, that are banned on the mainland. A white paper written by the central government and published in June declared that Hong Kong's autonomy was in the gift of Beijing. It also called on the territory's judiciary to recognise that it has a duty to “be patriotic”—ie, mindful of China's national interests—a contradiction of Hong Kong's common-law English system and a threat to judicial independence.

A right royal welcome

The week after the white paper was issued, China's prime minister, Li Keqiang, was being feted on a state visit to Britain. He got an audience with the queen—a privilege normally reserved for heads of state. The trip was billed as a rapprochement after a period in which China had kept Britain in the cold. Two years ago, Britain's prime minister, David Cameron, met the Dalai Lama, Tibet's exiled spiritual leader, whom Beijing labels a “splittist”. As a result, China shunned British leaders and businessmen. Signalling that China was willing to put the past behind it, Mr Li signed deals worth £14 billion (\$24 billion). Nobody needed to spell out what from now on would be the terms of the relationship: deals would flow, but only for as long as Britain kept its nose out of Chinese affairs.

The consequences of that pact are now becoming clear. ■

► This month the British foreign secretary issued the latest of his twice-yearly reports on Hong Kong. He noted that some in Hong Kong had said that the white paper threatened the city's autonomy. But it did not contain a word of criticism for the document itself, nor for the government in Beijing.

That is bad for Hong Kong. Its role as a global financial centre is based upon the freedom of its press, the independence of its judiciary and the rule of law. Hong Kong's citizens risk seeing the autonomy guaranteed by the Basic Law eroded.

For British firms, the price of confronting China could be high. But in terms of the country's broader interests, failing to do so would be costlier. Countries that renege on treaty com-

mitments lose credibility. Moreover, Britain's outsize diplomatic clout derives from its values as a democracy and its ability as a permanent member of the Security Council to galvanise coalitions. Its behaviour over Hong Kong suggests that either or both of those sources of strength are failing, for it seems unwilling to use its clout to defend its values.

Britain alone might not curb China's behaviour. But other countries, including America, are alarmed at Chinese bullying in neighbouring seas and distant continents. If Britain were willing to stand by Hong Kong's liberties, they would be prepared to do so too. If Britain kow-tows to China, why should they bother? ■

Assisted suicide

Easeful death

Most people in the Western world favour assisted suicide. The law should reflect their will



AFTER suffering a stroke on a business trip Tony Nicklinson, a former rugby player and skydiver, developed locked-in syndrome, an incurable condition that leaves a patient aware but unable to move or talk. Nicklinson learned to communicate

by blinking his eyes and thus was able to describe his terrible suffering. Imprisoned in his corporeal cell with no chance of escape, he wanted to die. But since Britain does not permit assisted suicide, his "living nightmare" continued.

Death is a fearful thing, but it is the pain of life that leaves many ill people in despair. Like Nicklinson, some people would like to die peacefully, at a time of their choosing and with the assistance of a doctor. Their desire for a humane end should not offend liberal societies, which rest on the principle of self-determination, so long as one's actions do not harm others. This newspaper supports making assisted suicide legal. So, according to polls, do more than two-thirds of Americans and western Europeans.

You might then wonder why more governments do not guarantee the right to an easeful death. Only a handful of countries allow certain individuals to take their own lives with a doctor's help. A few others are passing laws, or—contemplating them (see page 54), as Britain's is. A bill in its House of Lords has a few more restrictions than *The Economist* would want. But that is no reason to oppose it. Liberal or not, politicians should move slowly when it comes to complex moral issues, which, whatever your views, this certainly is.

Go gentle

The arguments against assisted suicide are strongly held. Many people object on moral or religious grounds, while some doctors say that it conflicts with their oath to "do no harm". Opponents add that vulnerable people may feel pressure to spare their carers the burden—or, worse, may be bullied into choosing suicide. And there is a broader argument that allowing assisted suicide in some cases will create a slippery slope, with ever more people being allowed (or forced) to take their own lives, even for trivial reasons.

But the arguments in favour are more compelling. In a plu-

ralistic society, the views of one religion should not be imposed on everybody. Those with a genuine moral objection to assisted suicide need not participate. What a doctor sees as harm a patient may see as relief; and anyway it is no longer standard for medical students to take the Hippocratic oath. The hardest argument concerns vulnerable people: they may indeed feel pressure, but that is simply a reason to set up a robust system of counselling and psychiatric assessment, requiring the agreement of several doctors that a patient is in their right mind and proceeding voluntarily.

It is also true that as some countries relax their restrictions on assisted suicide, the practice will become more common and there will probably be pressure for other restrictions to be removed. But there is nothing unusual in this. Moral absolutes are rare. When faced with dilemmas societies draw boundaries and carve out exceptions. In even the seemingly clearest of cases, such as the prohibition on killing, exceptions are made for things like war and self-defence. Assisted suicide is no different and each society's boundaries will no doubt differ and evolve, as they already have. The Netherlands and Belgium legalised assisted suicide in 2001 and 2002, but only the latter has approved the practice for terminally ill children.

There is much to be said for the breadth of the Swiss model, which allows assisted suicide in most cases. But on such an emotive and contentious issue politicians should reflect society, not lead it. Taboos are created by the people of a country; when they lift them, change goes more smoothly. Most in the West now seem ready to end the one on assisted suicide for the terminally ill. They should be allowed to work out how much further they want to go. Gradualism, therefore, is warranted.

The bill in the House of Lords would make assisted suicide legal in Britain for the first time, but require an individual wanting to die to be assessed by two doctors and be judged to have less than six months to live. He then would have to administer the lethal drugs himself. The current proposal would not have helped Nicklinson, whose death was not imminent. (After being denied the right to die by Britain's high court in 2012, he refused food and finally succumbed to pneumonia.) But it would still give several thousand Britons a year the chance to escape the sort of pain that Nicklinson suffered from, and would gradually increase public support for further liberalisation. We hope that it passes. ■



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Poland's past and future

SIR – I ought to be happy with *The Economist's* comments about the impressive progress Poland has made over the past 25 years (Special report on Poland, June 28th). We deserve the appreciation. However, to be frank, your hyper-positive evaluation would be disputed by many. Such enthusiasm is not shared by all. If it was, more than 2m mostly young and educated people wouldn't have left Poland for the West over the past decade.

It is also wrong to claim that "rigorous economic shock therapy in the early 1990s put Poland on the right track". Absolutely, it did not. This ill-advised policy, based on a post-Communist version of the Washington consensus, drove Poland to a devastating slumpflation. The illusory expectations of the government and its foreign advisers were not met. Poland's relative success has come about not because of "shock therapy" but despite it. Our achievements are based on an unorthodox new pragmatism, policies that aim gradually for a social market economy and sustained growth, and at a fair shot at participating in the globalisation process.

So forget about the shock and focus on the therapy.
PROFESSOR GRZEGORZ KOŁODKO
Former deputy prime minister and finance minister of Poland
Warsaw

SIR – The middle income trap is indeed the greatest economic threat to Poland. But you also noted the absence of large locally owned firms, and this surely raises a vital question: can Poland's small and medium-sized enterprises fill the productivity gap alone? Given Poland's industrial structure, your solution of more government-directed EU R&D money will simply lead to waste: your parallel with the Marshall Plan for post-war Germany was bizarre.

The financial system, which you were silent on, is crucial too. With 80% of its banking controlled abroad, a big difference from most of its

OECD peers, Poland is grappling with unadventurous lending, to say nothing of an equity gap.

Poland needs flexibility to grow fast. But it is locked into an overregulated EU run by sluggish or high-cost countries, with strong large-company lobbies. Europe's climate policy and Germany's *Energiewende*, for example, are clear and present dangers to Poland's growth. It is also treaty-bound to adopt the euro, though joining makes no economic sense. As the Centre for European Reform recently concluded, the euro zone today is a mechanism for divergence, widening the gap between countries like Poland and the rich.

No surprise, then, that when it comes to security, Poland is voting with its wallet. You might have mentioned its single most elaborate economic project, a multi-billion rearmament plan. This aims both to boost domestic technology and to bind Poland ever more firmly into NATO.
MACIEJ OLEX-SZCZYTOWSKI
Economic adviser to the Polish foreign minister, 2011-12
Warsaw

The confederate states

SIR – The row between Britain and Europe over the size and scope of the European Union (Charlemagne, July 5th) is somewhat similar to the arguments in America in the 1780s about the future of the American union under the Articles of Confederation. The American confederation failed because of the opposition to power shifting from the states to a weak central government; the fear of a strong Germany in Europe is similar to the suspicions of an overbearing Virginia or Massachusetts during those times. Moreover, Charles de Gaulle's desire "to keep the national veto" recalls John Calhoun, who argued for the right of the American states to nullify national laws that they didn't like. The arguments in America raged until the civil war—sparked by the confederation of the southern states—settled them in the 1860s.

Confederations, by any other name, are problematic arrangements. It didn't work well for the ancient Greeks, nor could the Dutch successfully pull it off later. The Swiss have managed it, but only after infighting and the passage of centuries to complete the *Confoederatio Helvetica* in a small, compact country with a more or less uniform lifestyle, ethnicity and traditions, plus a single currency (despite using three languages).

The European Union is young. Time will tell.
WILLARD FELSEN
Mount Shasta, California

Powers to punish banks

SIR – You criticised the ability of American regulators to "more or less dictate their terms" when imposing a \$9 billion fine on BNP Paribas ("No way to treat a criminal," July 5th). As a former director of global compliance at Citigroup and the head of litigation at Salomon Brothers, I know first hand the power of a regulator to put a financial institution out of business. I also know that the effective regulation of the marketplace requires that a prosecutor have these kinds of powers in his arsenal. Otherwise, regulation becomes simply another factor in calculating risk and is taken into account in pricing.

Without the ability to impose the "death penalty" on financial institutions, banking regulators such as Benjamin Lawsky, one of "BNP's tormentors" as you put it, would be ineffective and bad bankers would become emboldened.
HAROLD LEVY
New York

Better businesses

SIR – Peculiar new management structures for creative innovation are always stimulating (Schumpeter, July 5th), but to my mind no structure performs better than the old-fashioned partnership. Partnerships enforce far higher risk-management standards than other models. How many genuine, broad partnerships went under in the great crash?

They result in a more egalitarian and fairer reward spread; bind firms better culturally; and have lower staff turnover. And they are not in thrall to the kind of short-termist thinking so unfortunately prevalent in today's financial services.

DOMINIC JOHNSON
Chairman
New City Initiative
London

The aura of the World Cup

SIR – As a long-standing German subscriber to *The Economist* I am gobsmacked by your recent genial reporting on German affairs. The July 12th issue is a case in point. The German Mittelstand is a shining example to the world (Schumpeter). American spying in Germany is a "tawdry tale" ("Up pops another...and another"). And "Few European cities do youth culture and hedonism better than Berlin" ("Oh! You pretty things").

Even the seedy, notorious Görlitzer Park, which I would never dare to enter, appears in a new light: "The wild appearance belies reality." I hardly recognise my country. Do we deserve this kind treatment?

Be it as it may, this spirit of British fairness is very heartening, a true shining example to the world.

WOLFRAM BIELENSTEIN
Berlin

Two out of three ain't bad

SIR – Buttonwood used some highfalutin' policies—monetary regimes, health care—to illustrate economic trilemmas (July 5th). A simpler example is found in a quote attributed to Jim Jarmusch: "Fast, cheap and good...pick two. If it's fast and cheap, it won't be good. If it's cheap and good, it won't be fast. If it's fast and good, it won't be cheap."

YACOV ARNOPOLIN
New York ■

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SINGLE RESOLUTION BOARD MEMBERS

Vacancy for the position of the Chairperson, the Vice Chairperson and four other Members of the Board/Directors at the future Single Resolution Board (Official Journal C 217 A 10.07.2014)

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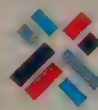
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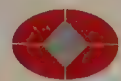
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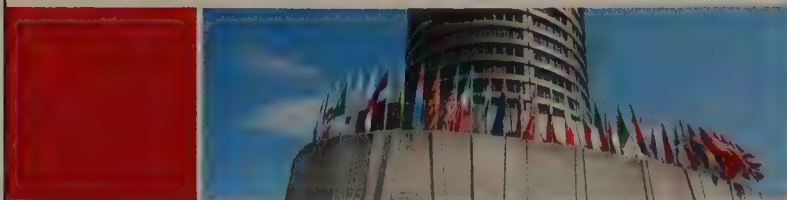
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Location: New York Headquarters, USA

Closing Date: 31 July 2014

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Director, Central Banks and Public Policy – London

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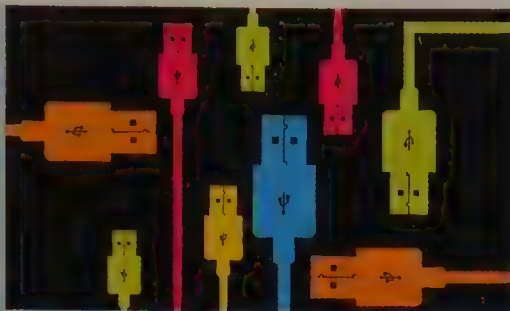
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Life in Aleppo

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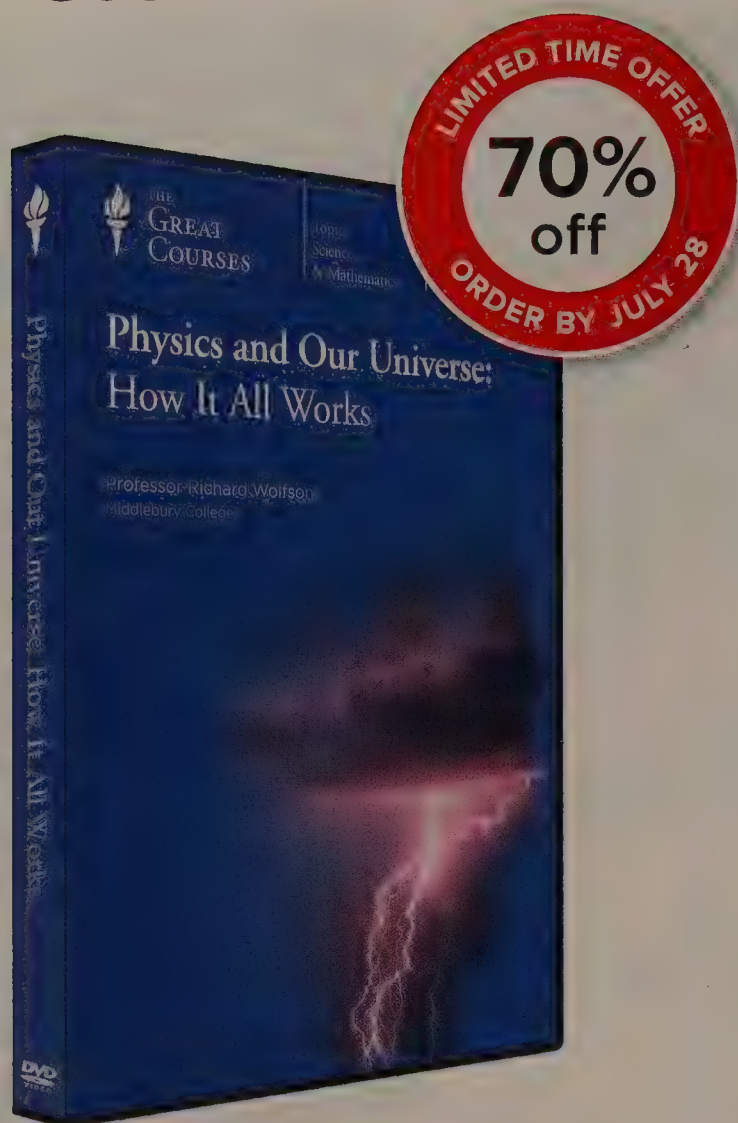
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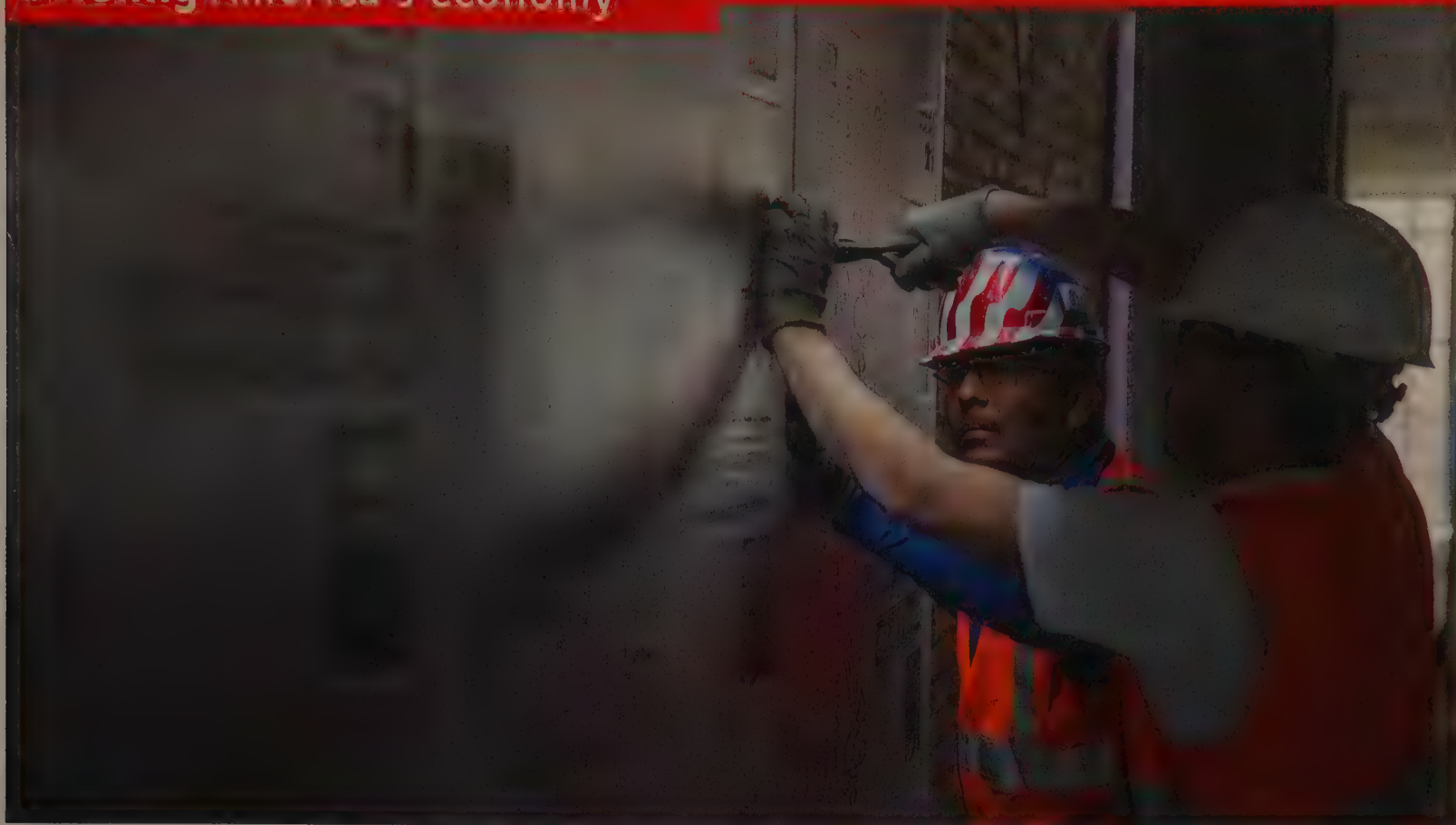
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Jobs are not enough

WASHINGTON, DC

New figures show that the speed at which America's economy can grow without stoking inflation has fallen

AMERICAN workers have had no news of this good for years. In June employers added 288,000 jobs, bringing the total for the year to 1.4m, the best six-month stretch since 2006. Unemployment has sunk to 6.1%, the lowest rate in almost six years. It could hit levels long regarded as "full employment" within a year. Help-wanted signs are proliferating, with vacancies up by 20% since January.

Such an ebullient labour market is usually the token of a booming economy. Not now. In the first quarter gross domestic product fell by 2.9% at an annual rate, the worst showing since the recession. This was a result in part of bad weather. Yet the second quarter will only be strong enough to make up the ground lost in the first. Economists had thought 2014 would be the best year since the recession; with growth in the first half of around zero, it is shaping up to be the worst.

Economic growth over the business cycle is driven mostly by swings in demand, and in recent years demand has been held back: households have been repaying their debts; the government has restrained its spending and raised taxes; and interest rates, having reached zero, are unable to fall further. Over the long run, however, a country's potential growth depends on

supply: how many workers it has and how productive they are. The recent divergence between America's employment and output suggests the country faces not just deficient demand but also enfeebled supply, as more people working without more output means lower productivity. That is bad news for all Americans since their standard of living depends on productivity. It is also a headache for the Federal Reserve, since inflation emerges more quickly when economic capacity is expanding more slowly. Thus it could mean interest rates rising sooner than might otherwise

be expected. If so, though, it would also mean they might not rise that high; in a slower-growing economy, there is less demand for capital.

In the 1990s America boasted one of the rich world's highest potential growth rates, of more than 3%, thanks to a labour force that was expanding by more than 1% a year and productivity, fuelled by the spread of information technology, growing at around 3% a year (see chart 1). By 2007 the Congressional Budget Office (CBO) had trimmed its estimate of potential growth to a still respectable 2.6%. It now thinks it may be just 2.1% (see chart 2 on next page). The Fed has lowered its projections of long-term growth by almost as much.

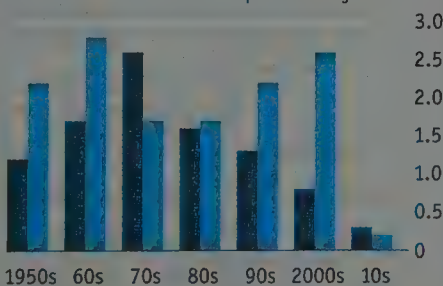
Even that may be optimistic. The recent spell of strong jobs growth and feeble output means that productivity declined by 0.4% over the past year, JPMorgan calculates. The labour force did not grow at all. Economic theory holds that unemployment declines when the economy grows faster than its potential on the upswing of the business cycle. If the slow growth of the past year was above the long-term potential, as the rapid drop in unemployment suggests, it would seem to imply that the long-term potential was actually negative. Things are almost certainly not that bad. Still, JPMorgan reckons America's potential growth is just 1.75%—about half the rate it enjoyed from 1947 to 2007.

Measuring potential growth is notoriously difficult. Productivity is volatile, making underlying trends hard to discern. Disentangling short-term demand from long-term supply is complicated by the fact that the former has a direct effect on the lat- ▶▶

Worst of both worlds

United States:
Average annual % increase

■ labour force ■ non-farm business productivity



Source: Bureau of Labour Statistics

ter. When the economy is booming, businesses invest and innovate more, which raises productivity, and people who might have stayed at home, retired or remained in school join the labour force. That is what happened in the 1990s: as the economic boom continued with no uptick in inflation, economists concluded that potential growth had risen.

The great reversion

The optimistic way to read the current situation is as the same thing happening in reverse: potential growth may be being depressed by the hangover of weak demand from the Great Recession, rather than by underlying structural forces. For example, the labour force has grown by just 0.3% per year so far this decade, compared with 0.8% in the previous decade, and the participation rate—the share of the working-age population either working or looking for work—has fallen from 65.9% at the end of 2007 to 62.8%. Some of that is structural: of particular note is the fact that the first baby boomers qualified for Social Security (the public pension) in 2008. Some is cyclical: those who have not found work since the recession are quitting the jobs market. But which effect is bigger?

A new report by Barack Obama's Council of Economic Advisers reckons 1.6 percentage points of the 3.1-point decline in participation can be explained by ageing alone. It reckons another half point is clearly cyclical. That leaves a gap of roughly one percentage point requiring explanation. One factor is that 16- to 24-year-olds are staying in education longer, and are less likely to work while learning. But participation among those aged from 25 and 54, the biggest and most active portion of the workforce, has also fallen—and it was doing so before the recession hit.

This fall has been most striking for those with less education: participation has dropped by four percentage points for those with only a high-school diploma, according to Judd Cramer, a doctoral student at Princeton University. These are the workers most likely to be displaced by technology or foreign competition. But this

long-standing trend was made worse by the recession; participation in states hit harder by the recession fell more than it did in those less afflicted, according to Christopher Erceg and Andrew Levin of the International Monetary Fund.

In theory, a hotter economy should draw some of these workers back into the labour market. In practice, the impact is likely to be small. Many dropouts have retired or begun collecting disability benefits, a decision that is “more or less permanent”, according to Shigeru Fujita of the Federal Reserve Bank of Philadelphia. And the structural problem will get worse; the baby-boomers will continue to retire, even as the supply of new workers shrivels. The Census Bureau reckons America's working-age population will grow by just 0.3% a year from 2010 to 2030, less than a third of the rate of the past two decades. Ageing is not the only reason: falling fertility rates and declining immigration also play a role.

Like labour, productivity is growing more slowly, averaging a little over 1% since the recovery began, about half the average of 2.3% from 1947 to 2007. This might be partly cyclical: weak sales and financial crises have discouraged investment in recent years. But productivity growth had begun to slow even before the recession, from around 2005. John Fernald of the Federal Reserve Bank of San Francisco attributes this to the waning of the IT revolution. Led by the likes of Walmart, a fiercely efficient retailer, businesses began using IT in the late 1990s to better manage supply chains, deploy workers and design products. By 2005 they had reaped most of the benefits, the theory runs, and the pace of innovation in semiconductors had slowed.

The spread of social media which allow new forms of working, of automation which increases an individual's output and of many other technological innovations which, like those of the previous wave, are taking their time to show up in the productivity figures may yet improve the outlook. But such a pay-off could be many years away. As Michael Feroli of JPMorgan notes, the share of GDP devoted to investments in IT plunged during the recession and has continued to fall, even as investment of other sorts has recovered. The *Bank Credit Analyst*, an investment journal, notes that lower potential growth means business needs less capital to meet future sales. That would explain why investment, at 12% of GDP, remains below its pre-recession peak.

Even if potential growth picks up a bit, America will increasingly resemble the ageing slow-growth economies on which it used to look down. To improve potential growth policymakers can take various steps, such as raising the age at which the elderly receive government benefits, lowering the top

corporate-tax rate and reforming support for the disabled. But such steps would take years to bear fruit. In the meantime the Fed has held interest rates at zero out of a belief that the economy is loaded with spare capacity which is holding down inflation.

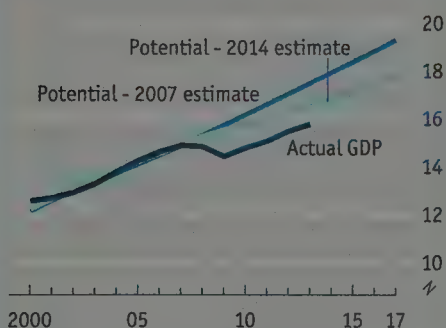
Recent data have prompted a reappraisal. Not only has unemployment fallen rapidly, broader measures of underemployment which include the unemployed who have given up looking for work have fallen even further. Yet participation has not risen. Meanwhile, employers are having more trouble filling jobs: in May 3.2% of all jobs went vacant, close to a seven-year high, suggesting the jobless lack the skills that employers are looking for.

All this indicates that the economy is closer to full employment than the Fed had expected just a year ago. Given how quiescent wages and prices remain, rate rises seem still at least a year away. But as Janet Yellen, the Fed chair, noted on July 15th, that date will come sooner if unemployment keeps falling so quickly. ■



Reduced speed ahead

United States GDP, constant 2009 \$trn



Sources: Congressional Budget Office; US Bureau of Economic Analysis



Also in this section

- 26 How the world sees America
- 27 Rape and child custody
- 27 The scandal of untested rape kits
- 28 Republicans scrap in Georgia
- 29 The skee-ball saga
- 29 Europeans want their cheese back
- 30 Lexington: How the border crisis hurts both parties

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The mid-terms

The royals of Capitol Hill

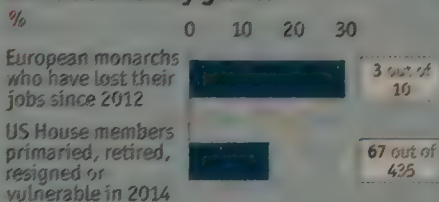
WASHINGTON, DC

House members have too much job security; that makes for bad government

ACCORDING to those who inhabit it, the House of Representatives is the most demotic bit of the federal government. Kevin McCarthy, the Republican who was recently elected as the House majority leader, once likened it to a truck stop. One of the first things Mr McCarthy announced after winning was that he would carry on sleeping in his office, something several congressman wishing to appear frugal claim to do (they shower in the gym, in case you were wondering).

On one measure, though, the House looks positively aristocratic. Since 2012, when its members were last up for election, 30% of Europe's monarchies have put newcomers on the throne. By contrast, only around 17 out of 435 House seats—less than 4%—will be competitive in Novem-

Isn't democracy great?



Sources: Cook Political Report; Roll Call; The Economist

ber's mid-terms. Even if one includes members who are retiring, resigning or have lost primaries, the House doesn't come close to matching the turnover rate of royals in the Old World (see chart 1).

Why are incumbents so hard to dislodge? After the Democrats won more votes than Republicans in the 2012 House

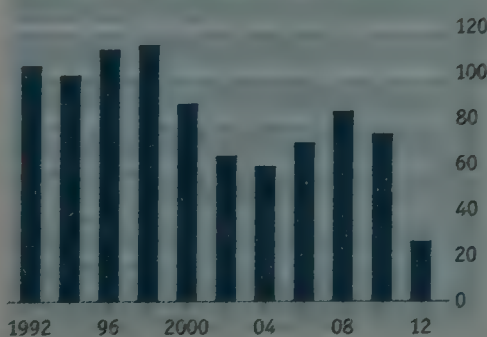
The death of diversity

Number of congressional districts regarded as:



Sources: Cook Political Report; POLIDATA; House of Representatives

Number of split congressional districts*



* Districts electing one party to the House while backing the opposing party for president: midterm elections compared with most recent presidential results

elections but ended up with 33 fewer seats, many blamed gerrymandering (the practice of drawing electoral maps in a way that favours one party). This cannot be the whole explanation, however. Granted, cheap, powerful computing has brought a new level of precision to redistricting, but there has also been resistance from voters fed up with having congressmen choose their electorates rather than vice versa. California and Florida passed constitutional amendments to curb partisan gerrymandering in 2010. On July 10th a judge in Florida ruled that the GOP's creative cartography there had broken the law.

Some of the most egregious gerrymanders—North Carolina's worm-shaped 12th district and Illinois's earmuff-shaped fourth district come to mind—were drawn over 20 years ago to increase the number of ethnic minorities in Congress, rather than for partisan advantage (though the two often overlap). Both parties gerrymander when they get the chance, but political scientists have downplayed the importance of redistricting in recent elections, pointing out instead that Democrats waste many more votes in the course of electing their representatives, while the Republican vote is more efficient.

If gerrymandering is not the main reason for the lack of competition in the House, what is? One idea is that voters have sorted themselves into neat blocks of red and blue, a notion popularised by Bill Bishop, author of "The Big Sort". There is plenty of evidence for this. A survey by the Pew Research Centre found that three-quarters of people who described themselves as consistent conservatives would prefer to live in a place where the houses are bigger even if schools, shops and restaurants are several miles away. Three-quarters of consistent liberals preferred to live in smaller houses where they could walk around the corner to buy tofu.

Yet this idea does not convince everyone. Bill Frey of the Brookings Institution, a think-tank, points out that most people's choice of where to live is based on things like the quality of schools or the cost of housing. Also, the number of dedicated partisans on either side is fairly small and unchanging: most Americans hold opinions that are more purple than pure red or blue. Unfortunately the moderates are more likely to stay at home on election day than partisans on either side. In the 2010 mid-terms only 41% of eligible voters found their way to a polling booth, making the country look more divided than it is.

If the evidence for voters sorting themselves into ideological blocs is equivocal, the evidence that the parties have done something similar is solid. It has taken a long time for the realignment of the parties brought about by civil-rights laws in the 1960s and the rise of the conservative movement in the 1970s to work through the system, but the process is almost complete. Every two years a few more split districts—those that vote for one party in congressional elections and another in presidential polls—turn monochrome. They are now nearly extinct (see chart 2 on previous page).

The top targets for the Republicans this time around are districts like Minnesota's seventh and West Virginia's third, which are both split districts. The incumbents, Collin Peterson in Minnesota and Nick Rahall in West Virginia, are more conservative than the average Democrat: both men receive A-ratings from the National Rifle Association, for example. If they go, their party's caucus in the House will become even more homogenous than it already is.

The replacement of heterodox congressmen with identikit Republicans and Democrats has been so gradual that it is hard to identify a single turning-point. But numbers from the Cook Political Report, which rates each district by the ideological leanings of its likely voters, suggest that the number of swing seats dropped rapidly between 1998 and 2002 (see chart 2, again).

Gerrymandering after the 2000 census may have had something to do with this, but a more obvious cause was the intense partisan warfare of those four years, during which the House voted to impeach Bill Clinton and the Supreme Court voted to make George W. Bush president. Such bitter controversies widened the divide between the two parties. Under the elder George Bush's presidency, House members voted with their own party about three-quarters of the time. During his son's time in office that figure increased to 90%. House voting patterns are just as monolithic under Barack Obama.

All this has unpleasant consequences for the way the federal government works. Even small things, like finding money to refill the Highway Trust Fund, which pays to

repair roads, are hard. Bigger things, like balancing the budget, seem impossible. When Mr Clinton backed a welfare reform devised by Republicans in 1996, 30 House Democrats, most of them from somewhat conservative places, initially supported him. Now only nine of those districts are represented by Democrats. A president who wanted to repeat Mr Clinton's bipartisan strategy would struggle to do so.

Though the level of party loyalty in the House is often described as unprecedented, that is not really true. Something similar existed around the turn of the 20th century. The difference is that then the Republican Party held both arms of Congress and the presidency, so government hummed along without much interruption. Until one of the parties manages to repeat this trick the federal government will often fail to discharge what seemed until recently to be basic functions. ■

How the world sees America

Still on a hill

WASHINGTON, DC

The NSA's snooping has done less damage than previously thought

VOTERS, journalists and just about everyone paying attention to politics all tend to overestimate the power of the president. When Barack Obama won the White House in 2008, many Americans were dazzled by his promises of change at home and a more judicious mix of strength and humility abroad. Indeed, it was hoped that Mr Obama would rescue America's image after eight years of George Bush's brand of cowboy-booted diplomacy. Since then, America's worries about how the world sees the president, and by extension the country, have divid-

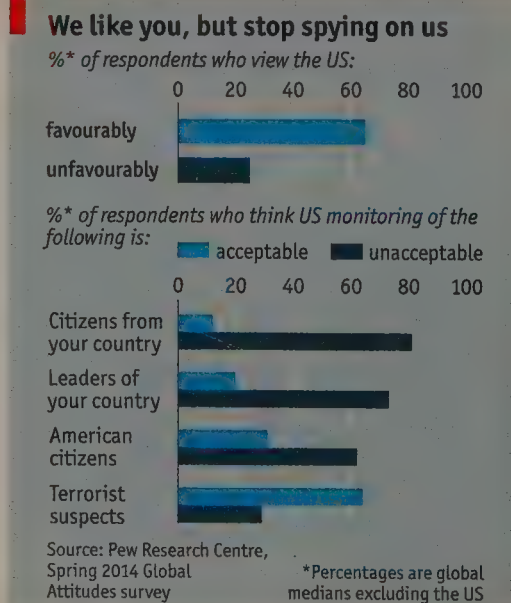
ed between those who think he is aloof and reluctant to use military force, which makes America look weak (see Syria, Iraq and Ukraine), and those who think his administration intervenes too much, making the country seem callous (see the use of drones, phone-tapping and so forth).

This seems to have passed the rest of the world by, according to a Pew Research Centre world poll, published on July 14th. Foreigners do not much like being snooped on, and most countries disapprove of America's use of drones. Yet most places outside the Middle East still view America favourably (see chart). Nor does America's disenchantment with its president, whose job approval numbers hover around 40%, seem to be echoed elsewhere. Taking Pew's numbers on whether countries expect Mr Obama to do the right thing in world affairs and comparing them with state-by-state presidential approval numbers from Gallup, it turns out that the 44th president is more popular in China than in all but three of the 50 states: Maryland, Massachusetts and Hawaii.

Mr Obama's popularity in China could come in handy. The most alarming finding in the study is that 62% of those polled in China worry that its border disputes will lead to armed conflict (see page 38). Some 67% of Americans say the same thing. The president's approval ratings did drop considerably in the two countries most affronted by the NSA: Brazil and Germany. Yet these opinions should be placed in context. Brazilians have long harboured suspicions of America. The country's president, Dilma Rousseff, was once tortured for her opposition to a military government that most people on the Brazilian left believe was supported by America; the government that did the torturing fretted that Yankees might come and grab the Amazon.

Meanwhile Germany's internal history with snooping has left the country wary of all government surveillance. And even Germans view America more favourably now than they did when Mr Bush was in charge. The one place where Obama's America is much less popular than Mr Bush's is Russia, a fact likely to be passed over when Republicans discuss how Mr Obama's weakness has emboldened Vladimir Putin.

Unfortunately what Pew's numbers also suggest is that being well regarded does not count for much. Mr Obama's presence in the White House has improved America's image abroad, but that has not helped to bring trade pacts, peace in the Middle East, a worldwide deal to cut carbon-dioxide emissions or any of the other things Mr Obama's boosters once thought he could achieve. Like most presidents, Mr Obama has so far had a foreign policy that consists of making unpleasant and unsatisfactory choices when faced with crises, rather than reshaping the world. ■



Rape and child custody

A question of proof

WASHINGTON, DC

When alleged rapists sue for parental rights

JAIME MELENDEZ was a 20-year-old with a chequered past when he raped H.T., a 14-year-old girl, in Dedham, Massachusetts in 2009. H.T. was often home alone after school; her mother worked at the local hospital and her father was dead. Mr Melendez visited her when she was on her own, coerced her to have sex and then threatened her to stay silent. When H.T. became pregnant her doctor called the police. In 2011 Mr Melendez pleaded guilty to rape of a minor.

The judge sentenced him to 16 years of probation and ordered him to submit to a family court, which in 2012 ordered him to pay child support until the infant reaches adulthood. Before then, Mr Melendez had shown no interest in his daughter, but afterwards he demanded to be allowed to visit her. He said it was his right as a father; adding that he would drop the request if he no longer had to pay child support.

H.T. does not want Mr Melendez anywhere near her or her family. And indeed, he has not visited them. But the courts have not thrown out his lawsuit, which has been grinding along for two years now. H.T.'s lawyer, Wendy Murphy, calls it barbaric. "You would never say to a person who suffered a crime, 'Sorry, we're going to let this guy further destroy your life'."

In Massachusetts no law explicitly restricts the parental rights of men who father a child through rape. So rapists can petition for custody or visiting privileges, and

generally make life miserable for survivors. The same is true in 16 other states plus Washington, DC.

It is not clear how common such cases are, since custody battles take place in family courts where records are often sealed. Judges in those courts prefer to keep a father in the picture, but can cut him out if he is abusive or neglectful.

Being convicted of a violent felony can often be grounds for revoking parental

rights, especially if the parent in question goes to prison or the crime involved a member of the family. But judges have wide discretion to weigh the circumstances of each family that appears before them. The emphasis is always on the best interests of the child. Massachusetts allows a court to terminate parental rights if "the parent has been convicted of a felony that the court finds is of such a nature that the child will be deprived of a stable home for a period of years." Common sense suggests that should apply to rape, and most judges are sensible; but not all.

Furthermore, most rapists are never convicted. The crime is hard to prove, since it often comes down to the victim's word against her attacker's. Only 12% of rapes result in an arrest, let alone a conviction, estimates the Bureau of Justice Statistics. Paternity, by contrast, is easy to prove, thanks to ►►

Prosecuting rapists

Sitting on the evidence

WASHINGTON, DC

The scandalous backlog of untested rape kits

IN DETROIT'S police warehouse, officials stumbled on 11,300 untested sexual-assault kits (or "rape kits") in 2009. Each contained DNA and other evidence collected from a victim's body just after an alleged assault; some dated back to the 1980s. "The victims never saw justice," says Kym Worthy, a local prosecutor. In June Michigan passed a law that sets new standards for prompt testing, and there are plans to have the backlog processed by May 2015. Tests of the first 1,600 kits have already matched the DNA of hundreds of known criminals, including nearly 90 serial rapists, who have gone on to offend in 23 other states.

Tens of thousands of untested kits have been discovered in police warehouses in America, including as many as 20,000 in Texas, 4,000 in Illinois and more than 12,000 in Memphis, where three survivors are now suing the city for mishandling evidence. In addition, crime labs are estimated to have a backlog of 100,000 rape kits. Such delays betray victims. Most rapists are never caught.

Testing takes time and money. Weeks of DNA analysis can cost between \$500 and \$1,500 a kit, and labs are often overwhelmed. Public labs received around 4.1m requests for forensic services in 2009, which generated a queue of nearly 1.2m by the end of the year, according to the Bureau of Justice Statistics. Public labs are expanding, yet demand continues to outpace supply. Many police departments have had their budgets cut, but this is not the only problem.

Most law-enforcement bodies have

discretion over what they test, and many shelve kits if a victim seems untrustworthy or a suspect has already been identified, according to the National Institute of Justice, a research arm of the Department of Justice. Police also give priority to cases in which the suspect is a stranger and the victim is visibly injured. Yet perhaps eight in ten rapes take place between people who at least vaguely know each other, and most lack signs of violence. Acquaintance rapists are often chronic offenders, says David Lisak, a clinical psychologist.

Quicker testing could prevent future attacks. In New York a programme to clear the city's backlog has raised the arrest rate for rape from 40% to 70%. A similar crusade in Ohio has seen the state process more than half of its 8,000 kits, resulting in more than 135 indictments. A third of those charged are linked to more than one rape.

Congress has appropriated \$1.5 billion to clear overdue DNA tests since 2004. Yet states are not required to spend this money on rape kits, and there is little oversight, according to the Government Accountability Office. A report by Human Rights Watch found that Los Angeles county had 12,600 untested rape kits in 2009; yet much of its federal grant money had not been used. Public attention has spurred leaders to take note. Los Angeles hired more lab analysts and ploughed through most of its arrears by 2011. Colorado, Illinois, Ohio and Texas now have laws to tackle their backlogs, and 11 more states are mulling them.



▶ DNA tests. So there are cases where the court knows a man is the father but does not know he is a rapist.

Some of these men discover they are fathers only when the state targets them for child support, as single mothers must identify them to qualify for government assistance. This prompts some to file a lawsuit of their own. "They just say: 'If I'm going to pay for it, I'm going to see it'," says Rebecca Kiessling, a family-law attorney. It can be a way to punish victims, or intimidate survivors into refusing to testify against them. "Like with rape, this is just about power and control," says Ms Kiessling.

Angela Grogg says that her daughter became pregnant from rape in 2010, when she was 14. The father of Mrs Grogg's grandson was tried for rape but acquitted in 2012. He maintains his innocence and sued for visitation rights. Mrs Grogg has waged a public battle against him. A Missouri judge finally terminated his parental rights this year, after \$60,000 in legal bills. "We've got thousands of e-mails from

women who are going through [the same thing]," says Mrs Grogg.

An estimated 25,000-32,000 women become pregnant from rape each year. Activists such as the Rape, Abuse and Incest National Network want state laws to offer better protection for those who choose to keep and raise their children. Most of all, they want an easier standard of proof. Rather than requiring a criminal conviction, they say it would be more reasonable to let a judge terminate a father's parental rights on the basis of "clear and convincing evidence" that the child was conceived in rape. This is the same standard family courts use to decide whether a child has been abused or neglected.

Eight states already end parental rights if there is "clear and convincing" evidence that the mother was raped. Two more are about to follow suit, and a federal bill introduced by Debbie Wasserman Schultz, a Florida congresswoman, promises federal grants to others that do likewise. That won't help all victims. But it is a start. ■

Georgia's Senate race

Tossing rotten fruit in the Peach State

NEWNAN

Two Republicans brawl over the right to take on Michelle Nunn

RUNNING for office in Georgia can be hard on the waistline. At nearly every campaign stop a candidate must sample the local culinary delights, which rarely consist of salad. David Perdue and Jack Kingston, two Republicans tussling for a United States Senate seat, look surprisingly trim despite tucking into turkey and gravy, ice cream, fried fish, bacon-filled biscuits and more besides. The battle has been long, hard and close; perhaps the sheer effort of fighting it has kept them in shape.

Originally there were seven Republicans jostling for the nomination to replace Saxby Chambliss, who is retiring. After a first round of voting, only Mr Perdue and Mr Kingston are left; the run-off is on July 22nd. On policy, there is not much to choose between them. Both are social conservatives. Both revile Obamacare and federal spending; both revere growth and fiscal reform. Their pitches to primary voters therefore stress their personalities, their achievements and the other chap's flaws.

Mr Perdue is an ex-boss of Reebok, a maker of sports kit, and Dollar General, a discount store. He has never held elected office before. Mr Kingston is a career politician, having served in Congress since 1993. Mr Perdue portrays himself as something fresh and his rival as a cobwebbed incumbent. "If you like what is going on in Wash-

ington, then vote for my opponent," he tells crowds.

That opponent paints himself as a faithful public servant, dedicated to his district in Savannah (to which he says he returns every weekend). Mr Kingston chides his multimillionaire adversary for being "out of touch". In a televised debate on July 13th he sneered: "You live inside a gate inside a

gated community with a gate on your house. I think being a public servant is being public and knowing how to serve."

Mr Perdue refuses to apologise for his wealth and success. When Mr Kingston boasted of his role in a public project to deepen the port of Savannah, he shot back that the congressman had taken "17 years to deepen this port five feet" and scoffed: "In the real world you would have been fired for that and here you want a promotion."

Nonetheless, the polls favour Mr Kingston. Despite Mr Perdue's pedigree, the Chamber of Commerce backs the congressman. Its political director, Rob Engstrom, says Mr Kingston's past efforts to slash spending and create jobs explain why. He adds that the congressman has never voted for a tax increase.

The owner of Redneck Gourmet, an eatery in Newnan, has played host to both candidates, but is unconvinced by either: "As a small-business owner I look out for the things that are going to help me," he says. A customer, Melinda Mansour, reckons that Mr Perdue's inexperience "is the best thing he's got going for him." But he is not exactly an outsider: his cousin, Sonny Perdue, was Georgia's previous governor.

Mr Kingston has run a bare-knuckle campaign, accusing his opponent of destroying jobs, scrounging federal dollars and favouring tax hikes, and generally trying to make the Perdue family sound like the Georgia Borgias. Factcheck.org, a watchdog, criticises one Kingston ad for making "multiple misleading claims" about Mr Perdue's time as boss of Pillowtex, a textiles firm that went bust in 2003. A voter in Woodstock says she abandoned Mr Kingston because of his "nasty" campaign ads.

The congressman has a scandal of his own: a donation of \$80,000, linked to a Palestinian felon facing deportation. Phyllis Maybern, from Cartersville, says she won't vote for him because of it. Mr Perdue, meanwhile, faces difficult questions about his time at the Georgia Ports Authority. A trucking company he bought two years ago with his well-known cousin won contracts at Savannah's port while Mr Perdue served on the Ports Authority's board. Moreover, he was appointed to the post (a "sweetheart deal", says Mr Kingston), by Governor Perdue.

The winner of the primary run-off will face Michelle Nunn, a community organiser and the daughter of Sam Nunn, a former Democratic senator who is still popular in Georgia. The more her Republican foes batter each other, the weaker they will be in the general election, she hopes. The race is one of the Democrats' few hopes of picking up a Republican-held Senate seat this year. Mr Kingston is the only candidate who could beat Ms Nunn, reckons Steve Anthony of Georgia State University, and the likelier to get a shot at doing so. ■





Bar games

Skee-ball wizards

WILLIAMSBURG, BROOKLYN

A kids' game thrills adults—and lawyers

TRY leaning your leg against the machine," says Alex Choi, one of the best rollers in Brooklyn's Brewskee-ball league. "That'll keep your body from moving too much." It works: your correspondent's new stance made her a slightly better skee-baller.

Eric Pavony, a co-founder of the league and its "skee-EO", says there is no wrong way to stand. Some people stand with two feet apart. Some put one leg forward. Others totter: skee-ball is often played in bars. "We don't have skee-ball injuries. There is no skee-ball elbow, but some people do get shin bruises from leaning too hard on the skee-ball machines," says Mr Pavony.

It began as a children's game, more than a century ago in Philadelphia. It grew popular on the boardwalk arcades along New Jersey's shore. The machine is a ramp with walls on both sides. The player rolls a ball up the ramp, aiming for holes which are each worth a different number of points. Mr Pavony, who loved skee-ball as a child, decided to make it an adult sport. He added ten frames, as in bowling, and created the Brewskee-ball league in 2005. Pete Marinucci, who heads the Brooklyn arm of the league, chuckles: "We asked: what would happen if we took a children's game and took it seriously?"

The league quickly grew, accumulating about 600 loyal players in Brooklyn, Austin, San Francisco and Wilmington, North Carolina. Hundreds more play in covey leagues all over the country. High rollers qualify for the annual National Championships. The league has its fair share of hipsters, but they somehow restrain them-

Food names

Stressed are the cheesemakers

MONROE, WISCONSIN

Europeans want their food names back. Americans are peeved

IN 1925 Ron Buholzer's family left Switzerland and settled in lush, green, rural Wisconsin. Here, like so many Wisconsinites, his family started to make cheese. Since then four generations of cheesemakers have worked in the family firm. Their most popular product is feta, a crumbly cheese that goes well in Greek salads. Mr Buholzer worries that he may soon be banned from selling it, because the European Union is trying to "claw back" food names that Americans consider generic but which Europeans believe should only apply to products made in specific bits of their continent.

That includes feta, Parmesan and maybe even bologna.

Already Mr Buholzer is barred from exporting his feta to South Korea if he calls it "feta". Also, any new feta products sold in Canada that are not from Greece will soon have to be called "like" or in the "style" of feta—and not use Greek symbols. The EU is demanding protection for 145 food names, including feta, asiago, Gorgonzola, munster and fontina.

American cheesemakers are unwilling to accept this as a feta accompli. On the contrary, they are preparing for a food fight. A group has sprung up to fight the European threat: the Consor-

tium for Common Food Names. Negotiations over the Transatlantic Trade and Investment Partnership, a proposed free-trade deal between the EU and America, may stumble over the issue. The EU, meanwhile, is leaning on governments everywhere to stamp on foodmakers who purloin European names.

Americans are unimpressed. They see all this as an attempt to erect trade barriers and raise prices by reclaiming words that have long since passed into general use. Many members of Congress have urged Barack Obama's administration to resist the Europeans' demands.

Some will use this as an excuse not to ratify a trade deal unless the EU gives way.

America does offer legal protection for foods from geographic regions under trademark law. For example, Parmigiano Reggiano cannot be called that unless it really comes from the right parts of Italy. Likewise, Americans may call fizzy wine from California "champagne", but that is not what it says on the bottle (though one vineyard won an exception). There is no easy way to determine which names deserve protection. Are French fries safe? Or Italian dressing? Or even that symbol of American pride, the hamburger?



selves from playing it ironically.

The national home is the Full Circle Bar in Williamsburg, in Brooklyn, where league games take place three nights a week. At the back of the pub are three skee-ball machines. Spectators sit on raised seating to watch and cheer. A "wall of fame" celebrates top-notch players with names like "Skeeopatra", "Brewbacca" and "Skeebrown James". "Snakes on a Lane" is a star. The league runs on puns. It has three seasons, or skeesons, a year; each lasts about three months from kick-off to championship final.

Alas, no American enterprise is complete without a lawsuit. In 2011 Skee-ball Inc (SBI), the Pennsylvania-based maker of the skee-ball machine, sued the league for infringing its century-old trademark. The Brewskee-ball League insisted that it had made an oral agreement with the head of SBI in 2005. It eventually filed suit, too, claiming "skee-ball" is a generic term. "There is no other way to call skee-ball

without using skee-ball," says Mr Pavony.

Daniel Gervais, an intellectual property professor at the Vanderbilt Law School, thinks the league has a good argument. If consumers continually confuse a brand and a product, it could mean that a trademark has lost its uniqueness. The same thing happened to aspirin, the escalator and the yo-yo. Richard Idell, SBI's lawyer, disagrees. "Skee-ball is not a generic term. It is not going to hold up in court. The machines are called 'alley-rollers'."

The case has been expensive for both parties. SBI is a small family business. The league has turned to crowdsourcing to help pay its legal bills. After three years of failed talks, the two sides are said to be very close to a settlement. That would make financial sense for both sides: SBI hardly wants to alienate such good customers. Mr Pavony is hoping for the elusive tenth ball. That's when a ball rolls back down the ramp, giving the player a second chance to score. ■

Lexington | The politics of the border crisis

In the short term, it hurts Barack Obama; in the long term, it will hurt Republicans



EFFORTS to craft sensible immigration policies for America have long felt like pushing a boulder up a hill. Thanks to a crisis on the southern border, where tens of thousands of children have arrived this year from Central America, nearly overwhelming officials in such hotspots as the Rio Grande Valley in Texas, the boulder is suddenly rolling the wrong way.

Flows from such violence-racked places as Honduras, Guatemala and El Salvador have been building for months but accelerated this spring. The news has filled with images of toddlers being shepherded by armed border agents, local communities from California to upstate New York refusing to allow overflow shelters to be opened near them and—in Murrieta, near San Diego—a federal government convoy carrying migrant mothers and children turned back by flag-waving protesters chanting “USA, USA”.

Critics, among them Democrats, have charged Barack Obama with an “aloof”, ineffectual response to the crisis. When he was in Texas recently, many asked why he didn’t visit the border in person (“I’m not interested in photo ops,” he retorted). Pondering the situation, he has sounded cool, measured and centrist: America’s analyst-in-chief. What he has not done is take a clear moral lead. That is because he is stuck between a Democratic base that hates talk of hustling kids back to vile lives, and a wider public that does not see a problem that it is America’s job to fix.

More importantly, the crisis has also hurt the prospects for immigration reform, which were already bad. Three pillars of immigration politics are now shakier than they looked. The first involves public confidence that the border is secure. With a larger border force than ever before and crossings from Mexico at historic lows, Mr Obama used to wonder aloud whether any fence could satisfy Republican immigration hawks. Perhaps a moat might convince them, he scoffed while visiting the Texan city of El Paso in 2011. Maybe “alligators in the moat”? Today, Republicans think the joke is on Mr Obama. After being declared reform-wreckers for demanding that near-perfect border security be demonstrated over several years, as their price for granting concessions to migrants already in the country, conservatives are having a “we-told-you-so” moment. Above all, Republicans are seizing on reports that the children are trekking to America partly because of rumours that a soft-hearted Obama administration

will allow them to stay. Republicans blame Mr Obama, accusing him of shielding ever-more immigrants from deportation, notably via a 2012 order covering many youngsters brought to America as children. Republicans further grumbled when a request to Congress from Mr Obama for crisis funds sought billions to aid new arrivals: they would rather focus on sealing the border.

Governor Rick Perry of Texas has led Republican calls for “a show of force” to deter more crossings. At one point donning a flak jacket and wrap-around sunglasses to join the Texas police on a river patrol, Mr Perry says he wants 1,000 National Guards for the Rio Grande. Cold logic is not on the hawks’ side. Mr Obama’s government deports more people than any previous administration, at the rate of 1,000 a day. Nor would Mr Perry’s “boots on the ground” obviously deter child migrants, who typically seek out people in uniform and surrender to them. Indeed, tough border defences reportedly led people-smugglers to start transporting children: sending adults had become too hard. But politics is about public perceptions. Mr Obama conceded as much when (jokes about ‘gators long forgotten) he said on July 9th that he would be “happy to consider” Mr Perry’s National Guard request, and urged Republicans to reconsider their hostility to a Senate-approved immigration reform plan, reminding them that it would add an extra 20,000 border agents.

A second pillar for immigration reformers has been the idea that they will win the debate by tugging at heartstrings. Campaign groups note how public opinion has been swayed in recent years by the personal stories of youngsters raised as Americans, but without legal papers (dubbed “Dreamers” in a neat piece of PR). When campaigning against deportations, activists have stressed the pain of divided families. But in this crisis compassion cuts both ways. Smuggled children face horrible risks, from robbery to rape. A case can be made—Mr Obama has come close to making it explicitly—that a humane policy would involve swift deportations of Central American children, to convince families to stop sending them.

The dismal consequences of disorder on the border

A final pillar of immigration politics involves the idea that Hispanics—a fast-growing block—are reliably in favour of a more welcoming policy. That pillar is wobbling a bit. Beto O’Rourke, the Democratic congressman for El Paso, was startled by the anger of some Mexican-American as well as Anglo constituents at two public meetings, demanding that “these kids” be sent home, though he says most El Paso voters take a different view, seeing a “refugee crisis” demanding a moral response. Among immigration campaigners, there is talk of sharp debates as some Dreamers, for instance, wonder whether to embrace the cause of newer arrivals from Central America.

The politics of immigration have rolled backwards. Sounding a frankly 19th-century note, some Republicans are fretting about the diseases that migrants may bring. Oklahoma’s governor, Mary Fallin, complains of chickenpox, scabies and lice among children brought to her state. Mr Perry says he does not believe the president “particularly cares” whether America’s borders are secure. That may help the Right in 2014’s mid-term elections. But then what? Mr Obama will never be on the ballot again, while the Hispanic vote will only grow. And for many of these new voters, Republican complaints about illegal immigration sound awfully like hostility to Latinos. In the long term, for Republicans, the immigration politics of the past are a trap. ■



Venezuela's oil diaspora

Brain haemorrhage

BOGOTÁ, CALGARY AND CARACAS

Venezuela's loss of thousands of oil workers has been other countries' gain

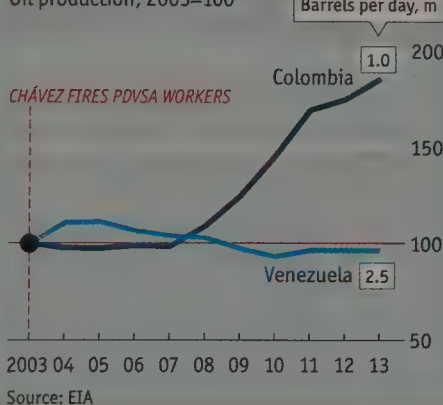
IN 2003 Venezuela's then president, Hugo Chávez, fired more than 18,000 employees, almost half the workforce, of the state-run oil corporation, Petróleos de Venezuela (PDVSA). Their offence was to have taken part in a strike (pictured) called in protest at the politicisation of the company. Their punishment was to be barred from jobs not only in PDVSA itself but also in any company doing business with the oil firm. The axe fell heavily on managers and technicians: around 80% of the staff at Intevep, PDVSA's research arm, are thought to have joined the strike. At the stroke of a pen, Venezuela lost its oil intelligentsia.

It was a blow from which PDVSA has never recovered. The firm's oil production has since stagnated (see chart), despite a big run-up in prices. The financial crisis bears some of the blame for that, as does the economic mismanagement of Chávez and, since last year, Nicolás Maduro. But the loss of skilled personnel was a huge handicap, hurting exploration and management. The Centre for Energy Orientation, a Venezuelan NGO, says the number of incapacitating injuries due to accidents at PDVSA rose from 1.8 per million man-hours in 2002 to 6.2 in 2012. At Pemex, Mexico's state oil firm, the rate was 0.6 in 2012.

Venezuela's loss was others' gain. Not all of the former PDVSA employees stayed in the oil business; a minority chose to remain in Venezuela. But thousands went

Barrel boys

Oil production, 2003=100



abroad—to the United States, Mexico and the Persian Gulf, and to farther-flung places like Malaysia and Kazakhstan.

Many headed to Alberta, in Canada, where the tar sands yield a residue that is similar to the heavy oil from the Orinoco belt, which Venezuela is struggling to develop. There were 465 Venezuelans in Alberta in 2001; by 2011 there were 3,860.

Pedro Pereira, who once headed PDVSA's research into the processing of extra-heavy crude oil, came to Canada in order to set up a similar research team at the University of Calgary in Alberta. His work focuses on inventing and patenting new technologies to process Alberta's crude. Three dozen Venezuelans have passed

Also in this section

32 Bello: Moderation in Chile

33 Latin American diplomacy

33 Panama hats are made in...?

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through the Calgary centre since its inception, around two-thirds of them as a direct result of the purge of 2003. All have gone on to work in the Canadian oil industry.

No country has benefited more from the Venezuelan exodus, however, than one next door. Colombia's oil output was declining at the time of the purge, falling from 687,000 barrels a day (b/d) in 2000 to 526,000 five years later. Today, average daily production stands at around 1m b/d. Much of this renaissance is thanks to the Venezuelans.

Former PDVSA executives had been heading to Colombia even before the purge. (Luis Giusti, a former chairman who quit as soon as Chávez came to power in 1999, helped the Colombian government redesign its energy policies.) But it was the post-2003 influx that revolutionised the industry. All of a sudden, says Alejandro Martínez of the Colombian Petroleum Association, "Colombia was filled with real oilmen." The Venezuelans had years of experience, lots of it spent abroad. They had an excellent technical heritage: PDVSA was created in the mid-1970s when the local subsidiaries of sophisticated firms like Exxon and Royal Dutch Shell were nationalised. They were also used to thinking big. "They did not shy away from projects that needed \$2 billion in investments when for Ecopetrol [Colombia's state oil firm] \$50m was a big deal," says Mr Martínez.

In 2007 Ronald Pantín, a former chairman of PDVSA Services, bought Colombia's Meta Petroleum along with several partners. Meta operated the Campo Rubiales field in central Colombia, from which operators were then barely squeezing 14,000 b/d. Now it is the country's largest producing oilfield, and Pacific Rubiales Energy, Meta's owner, is the largest independent oil producer in Colombia. Hum- ▶▶

► berto Calderón, a former Venezuelan oil minister, founded Vetra in 2003. Today the two firms account for more than a quarter of the country's production.

Without the input of the Venezuelans "there is no way Colombia could have doubled its production in such a short time," says Carlos Alberto López, an energy analyst. It was an "extraordinary coincidence" that Colombia carried out its reforms just as PDVSA's managers were thrown out, oil prices soared and areas once under guerrilla control were made safer. "The timing couldn't have been better," says Mr López.

The prospects for enticing the diaspora back to Venezuela are poor. The expatriates have put down deep roots abroad, and the situation at home remains chaotic. PDVSA's goal is for the Orinoco belt to be producing 4.6m b/d by 2019. But the oil is difficult to refine, and the huge investment required is hampered by the government's insistence on overvaluing the bolívar. So far PDVSA has missed all its intermediate targets for Orinoco: by the end of 2013 it had reached 1.2m b/d, compared with a planned figure of 1.5m.

Welders, electricians and machine workers reportedly make three times as

much helping with the expansion of Ecopetrol's refinery in Cartagena as they can in Venezuela, according to *El Nacional*, a Venezuelan daily. A ranking published by Hays Oil and Gas, a recruitment agency, put the average annual salary for oil-industry professionals in Colombia at \$100,300. In Venezuela it is \$50,000. From Calgary Mr Pereira says he is seeing a "second wave" of emigration that began a couple of years ago, of young professionals with five or six years' experience. "As soon as they get some significant knowledge, they're leaving," he says. "The company, and the country, is heading for a disaster." ■

Bello | The moderates fight back

An agreement on tax reform marks a turning-point for Chile

AFTER securing a landslide electoral victory on the most left-wing platform Chile has seen in more than 40 years, Michelle Bachelet has lost no time in implementing her programme. In her first four months in office, the flurry of proposals has included an ambitious tax bill and a complex education reform. One of her coalition's leaders has called for the government to use its legislative majority as a "steamroller"; another wants to deploy it as a "retroexcavadora" (backhoe loader) to demolish Chile's "neoliberal model". So just how radical is her government going to be?

Her aim, she often says, is to make Chile a fairer, less unequal and more democratic country. Over the past quarter-century, since a referendum put an end to the Pinochet dictatorship, Chile has seen rapid growth and a steep fall in poverty, thanks to free-market policies. Income per person in Chile averages \$19,000 at purchasing-power parity, not far from the levels of Portugal or Greece. Yet income inequality has remained wide. Four-fifths of Chilean workers earn less than \$12,000 a year (at market exchange rates), according to Eduardo Engel at the University of Chile. And much social provision—schools, universities, health care and pensions—has to be paid for privately, at least in part.

Demand for change was expressed first in huge—and popular—student protests in 2011 under the centre-right government of Sebastián Piñera, and again in Ms Bachelet's election campaign last year. She invited the Communists, other small left-wing parties and student leaders to join her centre-left Concertación coalition, rebranded as the New Majority.

Few quarrel with her aim. The disagreements are over how to tackle inequality and improve democracy, and



above all the scope and methods of change. Take tax reform. The government's bill aims to raise an extra 3% of GDP to be spent chiefly on education. The money will come mainly from raising corporate-tax rates and abolishing a scheme under which shareholders could park undistributed profits in a tax-deferral vehicle known as the FUT. Designed to promote investment, the FUT also facilitates tax fiddles. The bill proposed to tax companies on their retained earnings as though they were the (imputed) income of their shareholders—both a nonsense and a clear deterrent to savings and investment.

With business leaders campaigning against it, opinion polls showed support for the reform falling, not least because the economy and investment have been slowing for the past year. After using its majority to ram the bill through the lower house of Congress, the government had second thoughts. On July 8th the finance minister, Alberto Arenas, reached an agreement with the opposition on changes to the bill. These will allow companies to opt to pay slightly higher rates rather than pay tax on imputed income. The stockmarket rose on

the news. "We've all been flexible to get the best tools for the job," said Mr Arenas. Moderates within the coalition hope for a similar spirit of compromise to improve the government's education plans.

To judge by its opening months, Ms Bachelet's government will feature a constant tug-of-war in which radicals make the rhetorical running and moderates work to correct their doctrinaire mistakes. The margin for error in this back-and-forth is great. The biggest reason for reassurance is Ms Bachelet herself, the most accomplished democratic politician in Latin America. While her heart is on the left, her head is realistic.

"We know that without growth there won't be more equality—nobody wants to level down," she told Bello over herb tea in the Moneda palace in Santiago, in a reception room dominated by "The Mirror of Cronos", a splendid blue-and-white expressionist painting by Roberto Matta. Carrying out the programme on which she was elected is a means of strengthening trust in politicians, and thus in democracy, she says. "Majorities have to count. But this is not incongruent with the idea that progress can be quicker through dialogue." And by stressing the value of Congress in improving legislation and saying it should be the place to approve the new constitution she plans to draw up, she is tacitly disavowing the leftist talk of "re-founding" the country that has business people so worried.

Ms Bachelet likes to say that her proposals for democratic change are the last chance to avoid a lurch to populism. Yet Chile is a much less radical country than its student movement suggests. If Ms Bachelet fails, it is more likely that power will simply flow back to the centre-right. And that is a powerful argument against the *retroexcavadora* crew.

Latin American diplomacy

Monogamous no more

LIMA

Bom dia to Mr Putin and Mr Xi

NO SOONER was the football over than the diplomacy began. Having been quick to claim credit for Brazil's generally smooth running of the World Cup, Dilma Rousseff this week hosted Russia's Vladimir Putin, a summit of the BRICS group of emerging countries (Brazil, Russia, India, China and South Africa), and then a state visit by China's Xi Jinping. For both the Russian and Chinese presidents the summit provided an excuse for a wider Latin American jaunt. Long gone are the days when the region looked only to the United States and Europe. Today it enjoys broad ties to the outside world. But do these visits amount to a slow shifting of allegiances?

For Mr Putin the trip was a welcome foray to countries whose governments are untroubled by Russia's conduct in Ukraine. In Cuba and Nicaragua he revived Soviet-era friendships. A Russian paper reported plans to re-open an intelligence base in Cuba. Mr Putin played that down, but Russia did this month write off 90% of Cuba's \$35 billion Soviet debt. Elsewhere, he sought out opportunities for the export of Russian nuclear technology (to Argentina) and arms (to Brazil, which is interested in a \$1 billion anti-aircraft missile system).

Latin America's ties with China are far more recent than those with Russia. They are also much more important (see chart). Chinese trade with the region has grown more than 20-fold in this century; China has become a big investor and lender. There are some tensions. Brazil frets that China imports only raw materials while undercutting its often-uncompetitive manufacturers in third markets. Chinese mining and oil firms are slowly adapting to social and environmental concerns.

Mr Xi's trip, his second as leader to Latin

America, featured a meeting in Brasília with the leaders of CELAC, a club of all 33 Latin American and Caribbean countries. That reflects China's preference for dealing with developing regions as a bloc, an approach that in practice is frustrated by Latin America's diversity and divisions. Some countries are due to get special treatment. In Venezuela Mr Xi will play the role of a friendly bank manager meeting an errant customer. China has given Venezuela around \$50 billion in mainly oil-backed loans. But Chinese officials "are very critical of Venezuelan accounting", says Margaret Myers at the Inter-American Dialogue, a Washington think-tank.

For Brazil, the summitry furthered its

pursuit of an independent foreign policy. Brazil's relations with the United States remain at a low ebb, following revelations that the NSA tapped Ms Rousseff's phone. The setting up of a BRICS bank (see page 62) added some flesh to a still-awkward alliance marked both by a common interest in reforming world governance and by a host of differences. Ms Rousseff stressed that the BRICS' "activism" should not be seen as a "desire for domination" or "a strategic alternative contrary to the interests of other countries". But the question facing Brazil, and Latin America more generally, is whether a wide range of superficial friendships, instead of more selective but deeper partnerships, will help or hinder its rise. ■

Panama hats

Hold onto your headwear

QUITO

Ecuador makes them and wants you to know it

HATS have been woven in and around Montecristi, a hillside town in Ecuador near the Pacific Ocean, since as long ago as the 17th century. Locally the cream-coloured tiffers, which are made from the soft fibres of a palm-like plant, are called *toquilla*-straw hats. To the rest of the world, however, they are known as Panama hats. Now Ecuador wants to reclaim the brand.

The hats became known as "Panamas" because that was where they were primarily sold to international markets. By the 1840s Ecuadorean entrepreneurs were sending them to Panama in the tens of thousands. Prospective gold-diggers bought them as they crossed the isthmus on their way to California. Theodore Roosevelt helped make them fashionable on a visit, in November 1906, to see the construction of the canal (which opened in 1914).

The hats fell out of favour in the second half of the 20th century, but data from Ecuador's Central Bank suggest demand is rising. The country exported finished hats worth \$6m in 2013, up from a piffling \$517,000 in 2003. The headwear goes mostly to Italy, Britain and the United States, where they can fetch anything from a few dollars to several thousand for the most intricate designs. According to Andrés Ycaza of the Ecuadorean Intellectual Property Institute (IEPI), a skilled weaver will earn only about \$800 for a hat worth close to \$2,000, which can take months to make. Without a premium attached to its Ecuadorean origins, it is hard to drive prices higher.

Mr Ycaza's answer is to try and promote the hat's roots. In 2012 the weaving of the *toquilla* hat won a place on UNESCO's list of "intangible cultural heritage".



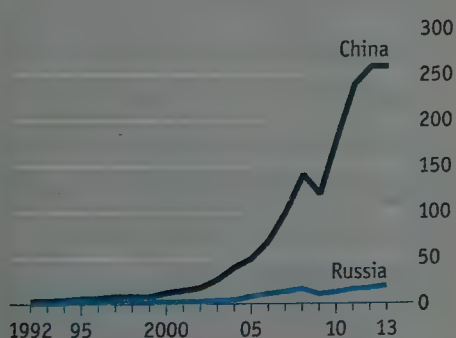
Teddy and his Montecristi

Now IEPI is trying to gain protected designation-of-origin status for the Montecristi hat in trade negotiations with the European Union, which protects everything from Roquefort cheese to Isle of Man Queenies, a type of scallop. "This is the moment to make it known to the entire world that the Montecristi hat is made here in Ecuador," says Mr Ycaza.

The idea hasn't won universal support. Although Montecristi is home to 500 or so weavers, the city of Cuenca in the southern Andes produces and exports most finished *toquilla* hats. There they worry that the Montecristi brand won't much help them. "If a weaver from Manabí [Montecristi's home province] for whichever reason moves to Cuenca, the hat he makes in Cuenca isn't going to be worse than the one he weaves in Manabí," says Gabriela Molina of Homero Ortega, a family-owned hatmaker.

Troublemaker and moneymaker

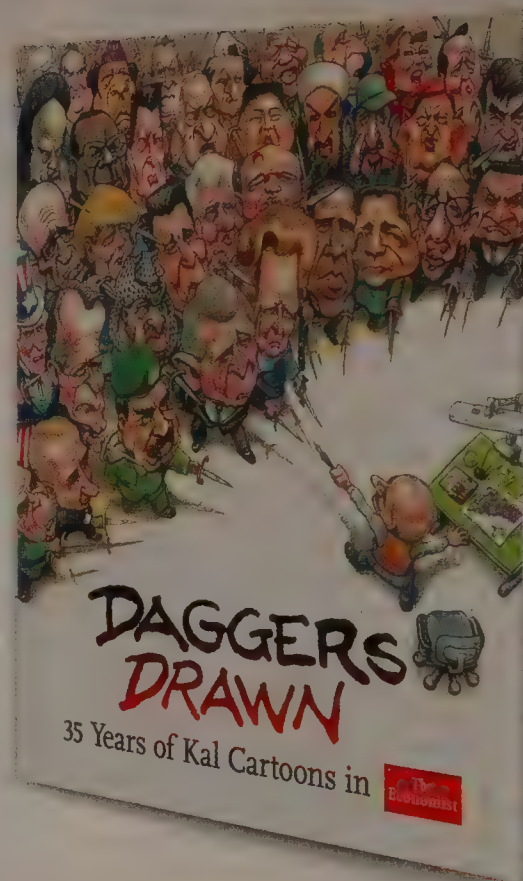
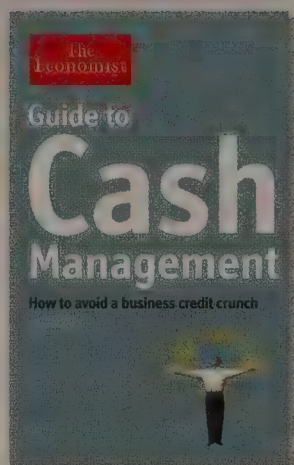
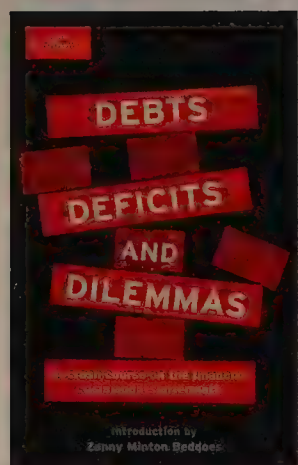
Trade with Latin America and the Caribbean \$bn



Sources: IMF; Thomson Reuters

The gift that keeps on giving

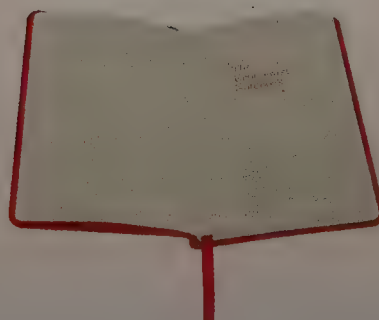
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Sanitation in India

The final frontier

DELHI

Fixing dreadful sanitation in India requires not just building lavatories but also changing habits

CHEER any Indian leader who takes on the taboo of public hygiene, one of the country's great problems. Narendra Modi, India's prime minister, says building toilets is a priority over temples. His finance minister, Arun Jaitley, used this month's budget to set a goal of ending defecating in the open by 2019. That will be 150 years since the birth of Mohandas Gandhi, who said good sanitation was more important than independence.

Ending open defecation would bring immense benefits. Some 130m households lack toilets. More than 72% of rural people relieve themselves behind bushes, in fields or by roadsides. The share is barely shrinking. Of the 1 billion people in the world who have no toilet, India accounts for nearly 600m.

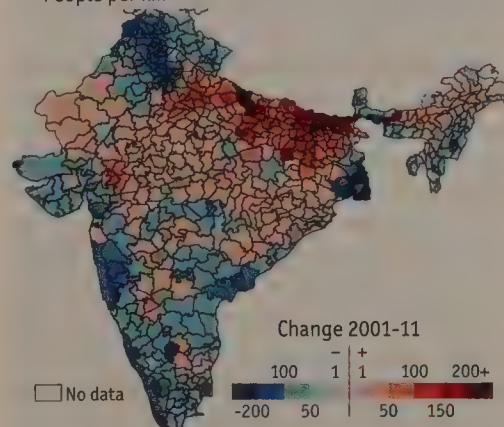
The costs are high. Public safety is one underappreciated problem, as young women have to leave their rural homes after dark. In May two teenage girls in Uttar Pradesh visiting a field used as a communal toilet were raped, murdered and strung up from a tree. That case won notoriety for its extreme barbarity, but similar attacks are distressingly common.

A broader matter is public health. Open defecation is disastrous when practised by groups in close contact with each other. Because India's population is huge, growing rapidly and densely settled, it is impossible even in rural areas to keep human faeces from crops, wells, food and children's hands. Ingested bacteria and worms

spread diseases, especially of the intestine. They cause enteropathy, a chronic illness that prevents the body from absorbing calories and nutrients. That helps to explain why, in spite of rising incomes and better diets, rates of child malnourishment in India do not improve faster. Unicef, the UN's agency for children, estimates that nearly one-half of Indian children remain malnourished.

Hundreds of thousands of them die from preventable conditions each year, especially in the north, which has most of the open defecation (see map). Faeces in groundwater spread diseases such as encephalitis, an annual post-monsoon scourge in eastern Uttar Pradesh. Diarrhoea leaves Indians' bodies smaller on av-

Defecating in the open
People per km²



Source: Rice Institute

Also in this section

36 Japan's prime minister

37 Cambodia's politics

37 Gays in Singapore

38 Australia and climate change

38 Asian fears of China's rise

Banyan is on holiday

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erage than those of people in poorer countries where people eat fewer calories, notably in Africa. Underweight mothers produce stunted babies prone to sickness who may fail to develop to their full cognitive potential. Dean Spears, a Delhi-based economist, says the costs of all this, in incomes and taxes forfeited, are far greater than the price of fixing it.

How to do so? India fares worse on sanitation than a host of poorer places including Afghanistan, Burundi and Congo, partly because too many of its leaders are too squeamish to face up to the issue. Thankfully, that appears now to be changing. The government, gung-ho for infrastructure, has just said it will build 5.2m toilets by September, or one every second.

Pouring concrete will not in itself solve India's problems. Leaders need also to confront the cultural reasons for bad sanitation. Hindu tradition, seen for example in the "Laws of Manu", a Hindu text some 2,000 years old, encourages defecation in the open, far from home, to avoid ritual impurity. Caste division is another factor, as by tradition it was only the lowliest in society, "untouchables" (now Dalits), who cleared human waste. Many people, notably in the Hindu-dominated Gangetic plains, today still show a preference for going in the open—even if they have latrines at home.

Evidence is growing that India must urgently correct its cultural practices, though it is sensitive to say so. Studies of India's population show how since at least the 1960s child mortality rates have consistently been higher in Hindu families than Muslim ones—though Muslims typically are poorer, less educated and have less access to clean water. Today, out of every 100 children, 17 more Muslim than Hindu ones survive to five years, a big gap.

Mr Spears and his colleagues argue that this can be explained only by differences in ►►

sanitation habits. A 2005 government survey, the most recent national one, found that 67% of all Hindu households, rural and urban, practised open defecation, compared with just 42% of Muslim ones. (In rare places where there is more open defecation among Muslims than Hindus, the mortality gap is reversed.)

A new household survey of nearly 23,000 north Indians offers more evidence, especially from Hindu households. Led by Diane Coffey, an economist at Princeton, it found that even among households with a working latrine, more than 40% reported that at least one family member preferred to defecate in the open. Those with a government-built toilet were especially likely to choose a bush instead.

In an unpublished parallel survey of Hindu-dominated villages in north India and Nepal, respondents lauded open defecation as wholesome, healthy and social. By contrast, latrines were seen as potentially impure, especially if near the home.

Men often described them as for use only by women, the infirm and the elderly. In short, demand for latrines is constrained.

This suggests that the mere availability of government-built latrines will not end open defecation for decades yet. What is needed instead are public campaigns, in schools and in the media, to explain the health and economic benefits of using toilets and of better hygiene. Researchers found that only a quarter of rural householders understood that washing hands helps prevent diarrhoea.

Such campaigns not only mean government-built latrines have a better chance of being used; they would also encourage householders to build them for themselves. Precisely how to raise awareness about a touchy subject is not clear, but some at least are trying. A catchy animated music video put out by Unicef urges Indians to "take the poo to the loo". The intention is right, even if the dancing turds will not immediately be to everyone's taste. ■

Japan

Not quite so invincible

TOKYO

Some of Shinzo Abe's shine comes off

THE mood until now in Japan's longest-serving cabinet in memory has been one of swelling self-assurance. After all, nearly everything has gone right for Shinzo Abe, the prime minister—from his own restored health to his ministers' avoidance of Japanese politicians' habitual gaffes and scandals. Yet the ruling party's defeat in an election for governor of Shiga prefecture on July 13th has unnerved the government. Meanwhile, Mr Abe's advisers are also scrambling to explain why his once-unassailable approval ratings have fallen in national opinion polls, to below 50% for the first time.

The two setbacks are related, and probably have to do with the way in which Mr Abe is perceived to have forced through a historic change in Japan's security policy against the will of most of the public. This month the cabinet approved a reinterpretation of the pacifist constitution to allow a limited right of "collective self-defence". Japan's armed forces will be allowed to come to the aid of allies should the nation's security be threatened.

Given voters' caution over security, the shift to embrace collective self-defence was bound to use up some of the prime minister's political capital. Many criticised the government for seeking to make the change through the (usual if rather shabby) fudge of a reinterpretation of the constitu-

tion rather than the much harder route of a full revision. Mr Abe has hardly helped his case with his ultranationalist views on history, generating outrage among neighbours and an amount of unease at home.

Lastly many Japanese disapproved of Mr Abe's apparent bullying of his pacifist coalition partner, New Komeito, into backing the change on collective self-defence. New Komeito relies for its support on Soka Gakkai, a lay Buddhist group with several million members. These, especially the women, are a local electoral force channel-

ling votes both to New Komeito and to Mr Abe's Liberal Democratic Party (LDP). The bullying backfired. In Shiga fewer Soka Gakkai members turned out to canvass or vote for the LDP's candidate. Takashi Koyari had been expected to win handily, but a former lawmaker from the opposition Democratic Party of Japan, Taizo Mikazuki, narrowly defeated him.

The LDP's defeat may presage further headaches for Mr Abe. Mr Mikazuki campaigned on an anti-nuclear platform, a potent theme in Shiga: voters feared the approaching restart of reactors just over the prefectural border in Fukui. This week Japan's nuclear watchdog approved the restart of two reactors in Kagoshima prefecture on the southern island of Kyushu, the first to receive the go-ahead after a country-wide shutdown following the Fukushima disaster in 2011. Some of Fukui's reactors are expected to receive the nod, perhaps later this year. Around the country, opposition to switching on nuclear plants is only growing.

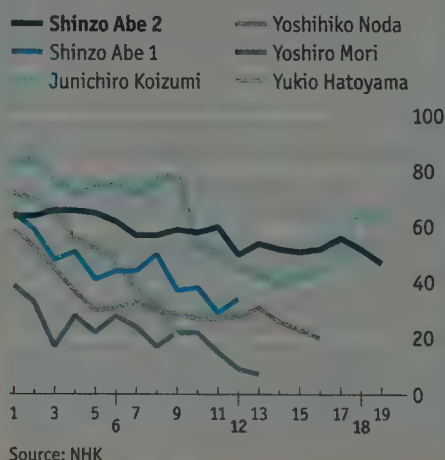
Mr Abe's policies on national security and on nuclear power are turning off women especially. That accounts for much of the drop in the polls, one of his advisers says. It can hardly have helped that a misogynist LDP member of the Tokyo local assembly recently heckled a fellow-member, telling her to hurry up and get married.

Can Mr Abe get his shine back? He is still doing better than most previous prime ministers (see chart). Other local elections are due this autumn in Fukushima prefecture, home of the tsunami-stricken plant, and in Okinawa, a Soka Gakkai stronghold that bears the brunt of the American troop presence. Should these also prove setbacks for the ruling party, the chances of Mr Abe pushing through his economic plans may be weakened. For the time being, the adviser says, Mr Abe is shifting his attention back to economic matters and other livelihood themes on which voters want him to concentrate.

However much the economy matters, the government's spin doctors know that Mr Abe would enjoy a real surge in popularity should he secure the return of at least some of 17 or more Japanese nationals who decades ago were kidnapped by North Korea. In May Japan reached an agreement with North Korea to relax sanctions on the pariah regime in return for a new investigation into the fate of its abducted citizens. In 2002 the same gambit rescued the ratings of Junichiro Koizumi, Mr Abe's mentor, which had plummeted after the sacking of a popular minister. If Mr Abe can bring home Megumi Yokota, a national totem whom North Korean frogmen seized in 1977 when she was 13 and who may or may not be alive, then he would become unassailable. But it is hardly wise to rely for political succour on the world's worst—and least co-operative—regime. ■

Trap-door syndrome

Opinion-poll support for Japanese prime ministers from start of term, monthly, %



Cambodia's politics

The vision thing

PHNOM PENH

The opposition does not know what to do except obstruct

A YEAR after a general election which the opposition said was stolen, the stand-off continues. On July 15th protests turned violent when demonstrators against the government of Cambodia's strongman, Hun Sen, attacked security forces. Three leaders from the opposition Cambodian National Rescue Party (CNRP) were arrested and denied bail. They face charges of insurrection.

With some justification, the CNRP claims the election was rigged and that it was denied victory—hence its boycott of Parliament. Yet international pressure is mounting for the opposition to end the boycott amid dwindling support for its political tactics. Its rowdy street protests have left at least seven dead, but achieved little. Even the UN's human-rights envoy, Surya Subedi, an ardent critic of the government, is urging the CNRP, 55 of whose lawmakers were elected to the 123-seat National Assembly, to be "reasonable and realistic" when negotiating with Mr Hun Sen.

Opposition leaders have softened their demands. They have hinted that they will no longer insist on a fresh election, though they want the independence of the election commission to be set in stone. Meanwhile, the government has agreed to allow the opposition to operate a television channel. It has also offered the opposition the chairmanship or vice-chairmanship of some government committees. Yet many in the CNRP are more comfortable as political activists grabbing headlines than as an

effective opposition. Activism is, after all, their background in a country run for decades by Mr Hun Sen and his cronies.

And in truth, the government can get along fine without the opposition. Business confidence does not appear to have suffered. A Japanese retailer, Aeon, has opened Cambodia's first Western-style mall. Rolls-Royce Motors has set up shop, in partnership with a local businessman. Burger King and KFC do a roaring trade in fast food.

Lacking any opposition, the government has pushed through a series of new laws governing the judiciary, trade, diplomatic relations, transport and budgets. Without the scrutiny of an opposition, par-

liament has rubber-stamped them all. That is one reason for ordinary Cambodians to desire the CNRP to take up its seats. Of particular concern are draconian draft laws censoring cyberspace—including political satire.

One reason the protests continue may be because they usefully conceal disunity within the opposition. The CNRP lacks a cohesive set of policies in part because it has no policymaking body. As for its best-known leader, Sam Rainsy, with rare experience of governing, he likes to flit about Europe—Paris especially. The CNRP plans its first party conference at the end of July. It will be a test of whether it has any ideas other than taking to the streets. ■

Gays in Singapore

The pink and the pulp

SINGAPORE

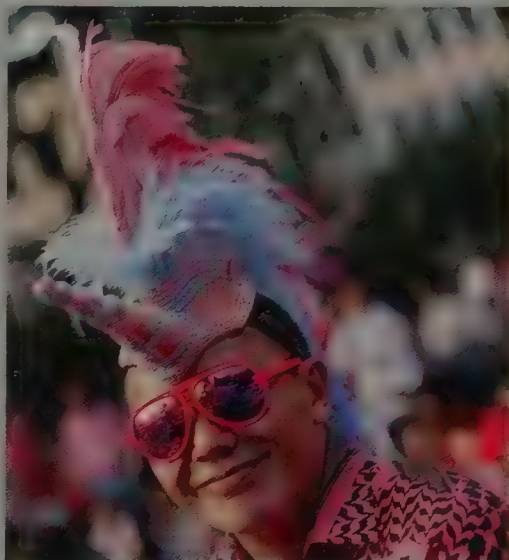
Good and bad news for gay rights

LIKE many places, Singapore remains deeply divided on questions of homosexuality. A government survey last year found that a scant majority (53%) "accept gay lifestyles", with younger Singaporeans generally more tolerant than older ones. But a similar number (55%) rejected same-sex marriage.

This year Singapore's annual gay-pride event—the Pink Dot rally, held in Hong Lim park at the end of last month—drew a record crowd of 26,000, more than ten times as many as attended its inauguration, in 2009. Paerin Choa, a Pink Dot spokesman, says it was also a more confident crowd. In the past, people worried, "Would my family see me? Would my boss fire me if he knew that I was gay?" This year, by contrast, people wore pink on public transport, and many were happy to have their pictures taken.

Not everyone is so open-minded. Shortly after Pink Dot, a controversy erupted over three children's books that the National Library Board ordered removed from circulation and destroyed. The three books featured same-sex couples (including a penguin pairing) who raised offspring. In acting, the board claimed it was merely taking a "cautious approach". But it was slammed by Singapore's literati. Tania De Rozario was one of many writers who pulled out of events sponsored by the library board. Destroying the books went against "everything a library is supposed to stand for".

While this controversy raged, Singapore's highest court heard a constitutional challenge to Section 377a of the penal code, which criminalises homosexual acts (defined as "any act of gross indecency with another male person"). Punishment is up to two years in prison. The



He takes public transport

appellants are three gay Singaporean men, one of whom was arrested for having oral sex in a public lavatory (in practice, the government does not generally go after homosexuality in private). The appellants argue that Section 377a violates Singapore's constitution, which guarantees equal protection under the law.

A judgment is not expected for several months, but Tea Braun—one of the appellants' legal advisers and the legal director for Human Dignity Trust, which challenges laws criminalising homosexuality—is not optimistic. Singapore's case law on the subject is rather slight, she says, and during the hearings judges seemed loth to break new ground. They insisted that questions of social policy were best decided by parliament. Yet legislators seem ill-disposed to change a policy that renders gay men criminals—if mostly unapprehended ones.



Another normal day in Phnom Penh

Australia and climate change

Axed

SYDNEY

The prime minister follows through on an election promise

WORKING out a way to deal with climate change by cutting carbon emissions has long tied Australia in political knots. The country relies so much on coal and other fossil fuels for its energy that it is one of the world's highest emitters per head of population. Bitter rows over carbon pricing have cost two prime ministers and an opposition leader their jobs. When he led the conservative Liberal-National coalition to power ten months ago, Tony Abbott, the prime minister today, made it his chief electoral promise to "axe the tax". On July 17th Mr Abbott claimed victory when parliament approved legislation to abolish the previous Labor government's tax on carbon emitters.

Mr Abbott rose to the top of the Liberal Party as a sceptic about climate-change. It was how he toppled Malcolm Turnbull as the party's leader in late 2009, after Mr Turnbull had struck a bipartisan deal with the Labor prime minister of the time, Kevin Rudd, over a cap-and-trade scheme for carbon emitters. Mr Rudd's party, in turn, ditched him as leader when he walked away from that plan. Julia Gillard, Mr Rudd's successor as prime minister, introduced the carbon tax in 2012.

More than conviction, it was populism that drove Mr Abbott's campaign to abolish the tax. As voters' support for action on climate change wavered, he branded the tax a "wrecking ball across the economy", raising the cost of business and destroying jobs. He forecast that industrial cities such as Whyalla in South Australia would be "wiped off the map". These predictions have not come to pass. Indeed, there were signs that the tax was starting to work, by encouraging Australians to switch to cleaner forms of energy. The Climate Institute, a research outfit committed to green policies, says the proportion of Australia's electricity sourced from brown and black coal has fallen by a tenth in the two years since the tax started, while that from renewable sources, such as wind and solar, has risen by more than a third—though from a very low base.

The carbon tax brought the federal government revenue of more than A\$7 billion (\$6.5 billion) last fiscal year. In its place, Mr Abbott proposes a "direct action" plan. Details are sketchy, but its main feature is a public fund worth about A\$2.5 billion over four years to pay big polluters to cut emissions. The plan is a nod to greens, and suits business by shifting the cost to taxpayers.

But it sits oddly with the Liberal Party's free-market instincts, and there are doubts about whether it will achieve Australia's (bipartisan) commitment to cut carbon emissions by 5% from 2000 levels by 2020. Mr Abbott, meanwhile, is resisting a bid by Barack Obama to include climate change on the agenda of the G20 leaders' summit in Brisbane in November.

Fulfilling his pledge to axe the tax has not gone entirely Mr Abbott's way. An alliance in the Senate between Labor and the Australian Greens at first blocked the bill after the lower house had approved it. A new upper house, reflecting the result of last year's election, took over on July 1st. Enter Clive Palmer, a legislator and a Queensland mining billionaire. Though he sits in the lower house, three new members of his Palmer United Party gave Mr Abbott, on the third try, the votes needed to get the abolition through the Senate.

Some of Mr Palmer's tactics are calculated to grab political attention. At a recent press conference in Canberra, where he was flanked by Al Gore, a former American vice-president and a climate-change campaigner, Mr Palmer laid out his conditions for supporting Mr Abbott. He insisted that two public bodies Mr Abbott had wanted to chop be saved: the Climate Change Authority, which advises the government, and the Clean Energy Finance Corporation, which offers loans for energy-efficient projects. Mr Palmer also wants an emissions-trading scheme to replace the tax, but with the price pegged at zero until Australia's main trading partners adopt similar schemes (some already have).

No one is sure whether or how this will happen. And even Mr Abbott's modest direct-action plan now faces its own hurdles in the Senate. ■



Abbott the axeman

Asian fears of China's rise

Jittery neighbours

SINGAPORE

Worries about China's ascent

FOR all the alarmist commentary in the international press, it still seems incredible that China's tiffs with its neighbours about mainly tiny, uninhabited rocks in the South and East China Seas might lead to conflict. But a survey published this week by the Pew Research Centre, an American polling organisation, suggests that many of the people most directly affected, those living in Asia, fear just that.

The global survey covered 44 countries, 11 of them in Asia. Predictably, those countries with the most active territorial disputes with China were the most alarmed. In the Philippines, for example, which is engaged in a number of tussles with China in the South China Sea, 93% of respondents were "concerned" about the possibility of conflict.

In Vietnam, in whose claimed territorial waters China operated an oil rig from May until this week, the number was 84%. And in Japan, which administers the Senkaku islands, claimed by China as the Diaoyus, 85% are worried. Even in South Korea and Malaysia, which on the whole are on good terms with China, the figures are 83% and 66% respectively. In China itself 62% are afraid: its rise frightens even its own people.

Its leaders make much of how that rise will be "peaceful". But China's recent behaviour has done little to lessen concerns about its perceived willingness to use force to pursue its claims. Worse for China's image, outrage about America's electronic snooping and its waging war through unmanned "drones", seems to have done little to dent the appeal of its global rival. Of the 11 Asian countries surveyed, eight see America as their greatest ally. (The exceptions, besides China itself, are Malaysia and Pakistan.)

Yet only those three most directly affected countries—Japan, the Philippines and Vietnam—see China as the biggest security threat to their country. In a number of Asian countries—Bangladesh, Indonesia, Malaysia and Thailand—views of China are as favourable as those of America. What is more, the perception that China is the coming superpower has taken root. Worldwide, one-half of Pew's sample thought China is already or will one day be the world's leading power. Only a diehard 32% believed that China would never replace America in that role. That may be why the Asians are so fretful.



Hong Kong's media

Tamed hounds

BEIJING AND HONG KONG

The press in Hong Kong, though still free, has lost its bite

LEUNG CHUN-YING, Hong Kong's chief executive, left out a few things in his latest report to his bosses in Beijing. On July 15th he told China's national legislature how he believes the Hong Kong public wants to choose its leader in 2017, when a popular election is to be held under conditions controlled by Beijing.

In his report, Mr Leung claimed that the "mainstream" view in Hong Kong is that the candidates should be nominated only by a select committee, which happens to be what authorities in Beijing want too, to make absolutely sure the winner is someone they like. He failed to mention that on July 1st hundreds of thousands of people had marched for broader democratic rights, or that more than 700,000 of Hong Kong's citizens have just voted in an unofficial referendum for a more open nominating process.

Some called the report a sham, and in another era lively local media would have relished slamming it as such. But the press in Hong Kong, despite still being far freer than its counterparts on the mainland, has lost much of its punch. The Hong Kong Journalists Association (HKJA) said in a report this month that the past year had been "the darkest for press freedom" in several decades. Under "one country, two systems", the formula used to govern the territory after the handover, Hong Kong was assured that its press would retain its former freedoms. However, it has been tamed in more subtle ways: ownership has shifted

to pro-Beijing tycoons, and advertising has been used to exert pressure—as have violence and intimidation. According to a survey by the HKJA of 663 local journalists in 2012, 79% believed that self-censorship had risen since 2005, and 36% said that they or their supervisors practised it.

Much of the coverage of Mr Leung's report, while citing criticism from pro-democracy factions, was also scrupulously neutral in tone. On July 16th *Ming Pao*, usually one of the more robust Chinese-language newspapers, noted in its headline and lead paragraph of the story that Mr Leung's report did not "directly" rule out the possibility of a broader public nomination of candidates for chief executives. This had the effect of playing down the report's pro-Beijing thrust. The coverage could not be called biased, because it reported the reactions of all sides, but neither could it be called bold.

One exception is *Apple Daily*, a lively tabloid accused by critics of being a tool of radical activists. On July 16th it published a front-page condemnation of Mr Leung's report as "fake consultation" with citizens, and relayed an exhortation that the people "not stop fighting" for real democracy.

Apple Daily does not have to worry about losing big advertisers for its strident tone. It has already lost them. Last autumn three banks—HSBC, Hang Seng and Standard Chartered—ceased advertising with the newspaper (several big property developers stopped in 2003, another tense mo-

Also in this section

40 Family planning

40 The fall of a famous newsman

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ment in relations with Beijing). Mark Simon, the publisher, says the banks told him that the central government's liaison office in Hong Kong had called for this. (The liaison office has denied it and the banks have said their decisions were commercially based.)

Other media outlets in Hong Kong do hit local officials hard at times. Occasionally they rile the Chinese government too. In 2013 a cameraman from TVB, a television channel sometimes derided as "CCTVB" (after China Central Television, China's state broadcaster) for its supine editorial line, showed unusual courage. With another cameraman, he accompanied an activist on an attempted visit to the home in Beijing of Liu Xia, the wife of an imprisoned Nobel laureate, Liu Xiaobo. The cameramen were beaten up at the scene.

Not like it used to be

But in the past two years several news organisations have experienced management shake-ups and worrying episodes of intimidation. The *South China Morning Post*, Hong Kong's leading English-language newspaper, has recently installed a number of senior editors who have worked at mainland newspapers or agencies. Frustrated journalists at the paper tell of stories that are critical of China often being toned down or dropped altogether. In February Commercial Radio axed Li Weiling, a talk-show host who frequently takes the government to task; she accused her employer of bowing to government pressure in exchange for the renewal of its licence. In January Kevin Lau, *Ming Pao*'s chief editor, was removed, to the shock and anger of many of the paper's reporters. Then, on February 26th, Mr Lau was nearly killed in a knife attack.

The motives for the attack on Mr Lau remain unclear, but its method, used by triad gangs, has become familiar to Hong Kong's ►►

▶ journalists. In 2013 two men with batons beat a magazine publisher. In another incident two attackers smashed the car window of the publisher of a free newspaper. He sped to safety but says he has since lost advertisers. In June 2013 a stolen car crashed into a gate outside the home of Jimmy Lai, *Apple Daily*'s owner. A machete and a hatchet were left behind.

The effect longer-term of such tactics is unclear. Many residents have taken to the streets, and they may do so again. Perhaps more importantly, they have also taken to the internet, which is uncensored in Hong Kong. A younger generation, which reads fewer newspapers, uses social media to vent its frustrations and to organise collective action. Journalists have migrated online, too, setting up news websites such as the House News. The traditional press may now be docile, but that does not mean ordinary people are. ■

Family planning

One-child proclivity

Predictions of a baby boomlet come to little

WHEN China eased its one-child policy late last year, investors bet on a surge in demand for everything from pianos to nappies. They, and government officials, foresaw a mini-boom after long-constrained parents were allowed a second go at making babies.

So far, however, it is hard to identify a bedroom productivity burst. About 270,000 couples applied for permission to have second children by the end of May, and 240,000 received it, according to the national family-planning commission. It means China will fall well short of the 1m-2m extra births that Wang Peian, the deputy director of the commission, had predicted.

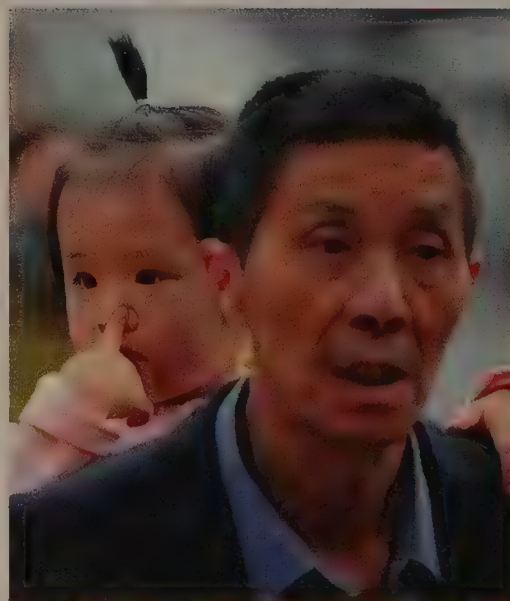
The problem is partly bureaucratic. China announced the relaxation of the one-child policy in November: if at least one of two parents is a single child, the couple may have two children. Provinces began implementing the new rule only in January. Fearful of a baby boom that would overwhelm hospitals and, eventually, schools, they have made the application process cumbersome. In the eastern city of Jinan, for instance, would-be parents must provide seven different documents, including statements from employers certifying their marital status. With 11m couples suddenly eligible to have second children, some caution over easing policy may be understandable. As the process is simplified, more parents will choose to go

through it. Analysts expect additional new births to rise toward 1m a year over the next decade or so. That is on top of today's average of 16m births a year.

All the same, the government and investors have overestimated the pent-up demand for babies. As in wealthier countries, preferences in China have shifted markedly towards smaller families. The cost of raising children has soared in cities, where competition to land a good kindergarten place is fierce. Costly housing puts a premium on living space. Analysts at Credit Suisse, a bank, reckon it takes roughly 25,000 yuan (\$4,030) a year to raise a young child. That is equivalent almost to the average annual income in China.

The legacy of China's one-child policy, now over three decades old, exacerbates the problem. Grandparents are traditionally a fixture in Chinese households helping to raise the young. But with couples waiting till later in life to have children, some parents find that they are looking after both their elders and their newborn. As single children, they have no siblings to lighten the load. Liu Gang, a 31-year-old events organiser in Beijing, says he would like a second child, but his wife now has to spend months at a time in Qingdao, her hometown, to care for her sick father. The government is investing in both day-care centres and nursing homes, but provision is woefully short.

China's fertility rate has fallen to an estimated 1.5 children per couple, in line with the European average but below the 2.1 that maintains a constant population and is more normal for a country at China's stage of development. With China ageing quickly, a higher birth rate is needed to underpin long-term social and economic stability. In the past, the state used harsh methods to stop its citizens having babies. In the future, it will have to find clever ways to encourage people to have them. Other countries, not least neighbouring Japan, have struggled with that. ■



Her mobile day-care centre

Anti-corruption drive

Anchor away

BEIJING

A famous newsman is detained

IN THE midst of an ongoing anti-corruption campaign in China it is often difficult to sort hard facts from the tittle-tattle about sensational new cases. Confirmation of rumours often comes only from the reporting of a state-run media outlet such as China Central Television (CCTV).

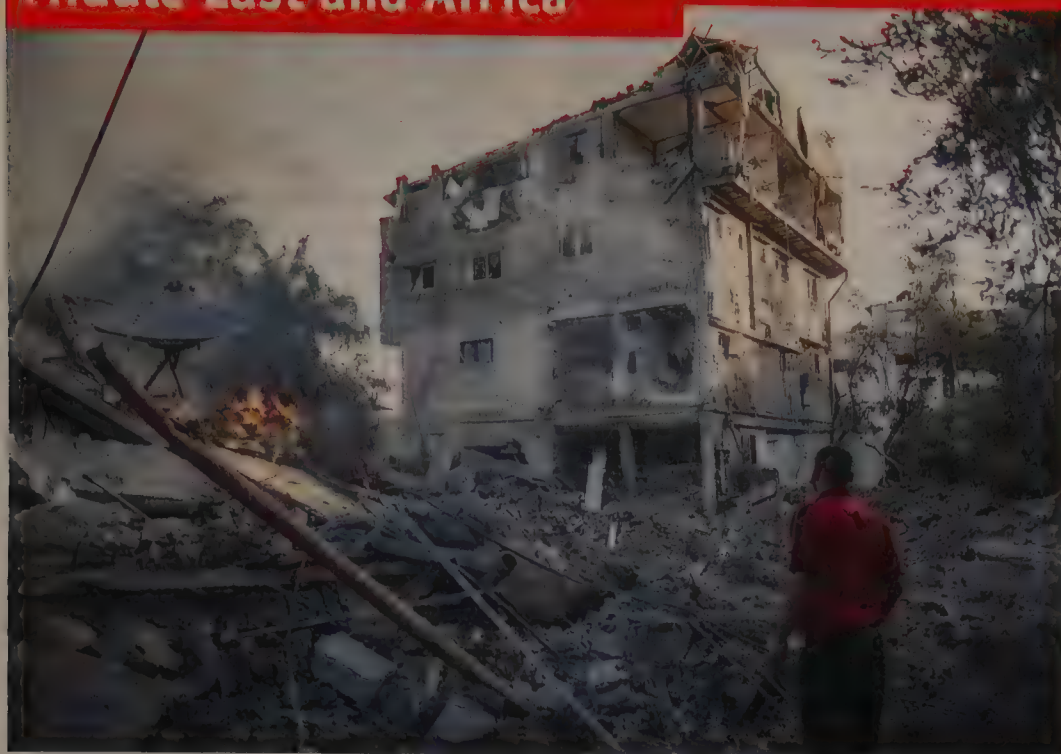
News of the latest detention did indeed come via CCTV, but not in the usual way. Rather, it was in the shape of the empty chair of Rui Chenggang, a star presenter, during the July 11th broadcast of his programme, "Economic News".

Reports in other state-run media confirmed that Mr Rui had been detained in a corruption investigation that had already netted senior people at CCTV. In late May Guo Zhenxi, the director-general of CCTV-2, the finance and economics channel that aired Mr Rui's show, was detained. The channel's deputy director-general was reportedly held at the same time as Mr Rui.

According to an employee at CCTV-2, the channel's vast influence offers easy scope for bribe-taking, either to get favourable stories aired or to have negative ones suppressed. The practice is widespread throughout China's media, but the stakes are especially high at CCTV, where the audience runs to hundreds of millions. CCTV-2 claims an 80% market share for economic and financial programming in China.

Mr Rui's fate is a stunning downfall for one of China's best-known media figures. He is a flashy dresser, a polished English speaker and cocky confronter of foreign dignitaries. He once asked the American ambassador whether he should fly in economy class, given all the money America owes China. (Turns out American officials fly economy anyway.) At a press conference in Seoul held by Barack Obama, Mr Rui took a question slot meant for a South Korean reporter. He said he could represent all of Asia.

The reach of the anti-corruption campaign into CCTV is also noteworthy. Comprising 42 channels, CCTV is a behemoth that profits from its ability to bring in huge sums from advertising—16 billion yuan (\$2.6 billion) in 2013 from prime-time slots alone—and from its place as a powerful part of the central bureaucracy. The mood at the network, says the employee, is now tense. "Everyone knows that if they have been dirty they could be in big trouble, and it's now too late to get clean."



Israel and Gaza

When and how will it end?

JERUSALEM

Killing and destruction are gathering pace, but neither side is winning

AS ISRAEL'S campaign to destroy the Palestinian Islamist movement, Hamas, or at least to defang it, proceeded into its tenth day, the death toll continued to rise. By July 17th more than 220 Palestinians were reported to have been killed and at least 1,600 wounded. The UN said that a quarter of the victims were children and over three-quarters civilian. More than 560 houses, including many belonging to Hamas people, had been destroyed and thousands damaged, said the UN. In one instance, 17 members of the family of a Gazan police chief were killed when his house was targeted. The home of Mahmoud Zahar, a founder of Hamas, who is in hiding, was reduced to rubble.

Water and electricity supplies across the Gaza Strip, patchy at the best of times, were cut off. Basic food and medicine were running short for the territory's 1.8m people, crammed into a narrow coastal enclave only 41km (25 miles) long. At least 20,000 Gazans sought refuge in schools run by the UN's Relief and Works Agency for Palestinians, better known as UNRWA. Warning of more bombings to come, the Israelis advised 100,000 Gazans to leave their homes or risk being hit by missiles.

For its part, Hamas has continued to fire rockets and mortar shells into Israel. By July 17th, together with fellow militant groups, it had loosed off more than 1,200, according to the Israelis, killing just one Israeli. But Israeli citizens are more alarmed

by Hamas's weaponry than the last time Israel hammered the movement in Gaza, in November 2012, with a similar eight-day assault from the air. Most of Hamas's rockets are still home-made devices which rarely cause lethal damage, but a stockpile of more sophisticated weapons has been built up, some with a range of 160km, smuggled in via Iran and Syria.

Of the 11,000-odd rockets and missiles that Israeli intelligence reckons that Hamas and other militant groups possessed at the start of Operation Protective Edge, as Israel calls its current campaign, about 600 have a range of 75km, putting Tel Aviv under threat. Perhaps another 100 exceed 100km. This brings all of Israel's biggest cities within Hamas's reach, including Haifa and Jerusalem, where sirens have gone off in the past week. Hamas now also has drones.

Despite its ferocious drubbing by the Israelis, there has been no sign that Hamas is inclined to give up the battle soon, though both sides agreed to a five-hour ceasefire on July 17th. When Israel's government offered a previous ceasefire through the good offices of Egypt on July 14th, Hamas's leaders in their bunkers in Gaza and in hotels across the Middle East said no. During a six-hour respite when Israel held back, Hamas continued defiantly to fire rockets. Israel's air force then resumed its assaults with renewed intensity. By some estimates, Hamas may run out of rockets, thanks to Israeli action and to exhausting

Also in this section

42 Hamas's conditions for a ceasefire

42 A thoughtful Libyan television series

43 Iran's peculiar internet politics

43 Can Saudi Arabia attract tourists?

44 Why Nigerians still prefer sons

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its supply, within around three weeks.

Meanwhile, Binyamin Netanyahu, Israel's prime minister, pondered his next steps amid conflicting advice from left and right at home and from an array of governments abroad. Some of his coalition allies, particularly those on the hawkish right, such as Avigdor Lieberman of the Israel Our Home party, urged him to send in troops on the ground to "finish the job". On July 15th he sacked his belligerent deputy defence minister, Danny Danon, who criticised him for his supposed defeatism. Mr Netanyahu also kept his economy minister, Naftali Bennett, who is the leader of another chunk of the coalition and also keenly favours a ground invasion, out of the decision-making loop.

So far Mr Netanyahu has held back from sending in a ground assault, perhaps recalling how Israelis at first eagerly backed a war to knock out hostile rocket-launchers in Lebanon in 2006, but soon turned against it when Israeli soldiers began to be bogged down there and killed. It is assumed that Hamas has laid all sorts of traps in case of an Israeli invasion.

But nor is it clear that Mr Netanyahu wants actually to destroy Hamas, lest an even more extreme outfit, perhaps tied to al-Qaeda, were to supplant it in Gaza. If he were to annex the strip, as some on the right advise, bringing its people again under direct Israeli rule, the demographic balance in Israel proper plus the Palestinian territories under occupation would tip against the combined area's Jewish inhabitants. Most of Mr Netanyahu's closest advisers probably think it better to keep Gaza isolated and besieged as before, with an enfeebled Hamas still in charge, "with its nose an inch above the water", in the words of an Israeli analyst.

As the death toll rises, foreign pressure on Israel to meet some of Hamas's de- ►►

►mands will rise (see next article). Human Rights Watch, a New York-based advocacy group, has called on Israel to open a humanitarian corridor to let medicine and basic supplies in and wounded or infirm people out.

European governments and the European Union have little influence in the Holy Land these days. The EU's policy of refusing contact with Hamas makes it almost impossible for Europeans to mediate. Non-EU Norway and Switzerland, which used to talk to Hamas, again offered their services. Turkey's government, led by Re-

cep Tayyip Erdogan, says it will help, but Mr Netanyahu wants nothing to do with him.

The Americans still have the best chance of persuading Mr Netanyahu to ease off, but their clout has weakened under the presidency of Barack Obama. Since he too is unable, under Congressional strictures, to talk directly to Hamas, he asked Qatar, the state in the region that is friendliest to Hamas, to urge it to accept a ceasefire; Khaled Meshal, Hamas's most influential leader outside Gaza, is based in Qatar. But the Qataris do not seem able to

persuade Hamas to back down.

The Israelis reckoned it would be cleverer to get Egypt to handle Hamas, knowing that Abdel Fattah al-Sisi, Egypt's new president, also dislikes it intensely. The terms of the ceasefire offered through Egypt's offices amounted virtually to a surrender by Hamas. "It was a trap," says a European diplomat who still meets Hamas. "Hamas knows that Sisi wants to strangle the movement even more than Israel does." Since Egypt's generals overthrew Mr Sisi's predecessor, Muhammad Morsi, last year, they have closed most of the tunnels under the border with Gaza which served as a lifeline, carrying basic goods as well as arms into the strip. Mr Sisi seems content to see Hamas thrashed.

Other proposals tend to focus on rebuilding Gaza's economy, on the ground that only if the people of the strip become better off will they turn their backs on the puritans, zealots and rocket-launchers of Hamas. Even before Operation Protective Edge, electricity functioned for less than half the day. Half of Gazans are out of work or unpaid. Some say that in 18 months Gazans will have no piped drinking water at all. But proposals for rebuilding Gaza's economy seem unworldly in present circumstances. And if the rockets keep on raining down on Israel and the bombs keep clobbering Gaza, there may be precious little left to rebuild. ■

Conditions for a ceasefire

Why Hamas fires those rockets

GAZA

Hamas wants two big concessions. It may not get them

MANY Gazans, not just their leaders in Hamas, think they have little to lose by fighting on. For one thing, the spotlight has been switched back onto them since the Israeli campaign began earlier this month. In Gazan eyes, Hamas gains from the violence because the outside world may, as a result of the grim publicity generated by the bloodshed, feel obliged to consider its grievances afresh. This week Hamas issued a ten-point plan. A ceasefire, it suggested, could be followed by a ten-year truce. Among its key demands were a lifting of the siege of Gaza and the release of prisoners. Gaza's seaport and airport would be reopened and monitored by the UN.

After the last big Israeli effort to stop the rockets, in November 2012, it was agreed that, along with a ceasefire, the blockade of Gaza would gradually be lifted and the crossings into Egypt and

Israel would be opened. The ceasefire generally held, but the siege continued. As Gazans see it, they have remained cruelly shut up in an open-air prison. Firing rockets, many of them argue, is the only way they can protest, even though they know the Israelis are bound, from time to time, to punish them.

More recently, say Gazans, the Israelis under Binyamin Netanyahu showed they were determined to destroy a peace-minded Palestinian unity government endorsed by Hamas and the more moderate Fatah party under Mahmoud Abbas, after the failure of American-brokered talks between Mr Abbas and Mr Netanyahu. The Israeli prime minister made it clear he would never talk to a Palestinian government backed by Hamas, even though America cautiously welcomed it. So he has done everything, say the Palestinians, to thwart it.

Among other things, Mr Netanyahu's government has prevented Mr Abbas from reasserting his authority, as part of the unity deal, over Gaza—and from paying off Hamas civil servants there. Indeed, Mr Abbas at first looked even more feeble than usual during Operation Protective Edge: he could not, as a leader committed to peace, cheer on the Hamas rockets. Yet his pleas for restraint on both sides have so far had little effect.

The Gazan grievance over prisoners stirs great passion among Palestinians everywhere. After three Israeli students were kidnapped on the West Bank on June 12th and later found murdered, the Israeli security forces rounded up more than 500 Hamas people, even though the movement did not claim responsibility for the crime. The increase in rocket fire was partly intended as a protest against the round-up of prisoners. Any ceasefire, says Hamas, must include the release at least of those detained in the past month.



Hamas sends yet another bloody message

Libya

Real life—on television

TRIPOLI

While militias make mayhem, a series on television is causing people to think

IN LIBYA, as elsewhere in the Middle East, the Muslim month of Ramadan, which began on June 28th, is a time for frothy imported television dramas served up as a nightly digestive for *iftar*, the breaking of the fast. But this year a locally produced series tackling the prickly question of who did what before, during and after the country's revolution of 2011 is prompting more debate—and controversy—than the usual Turkish-made romances.

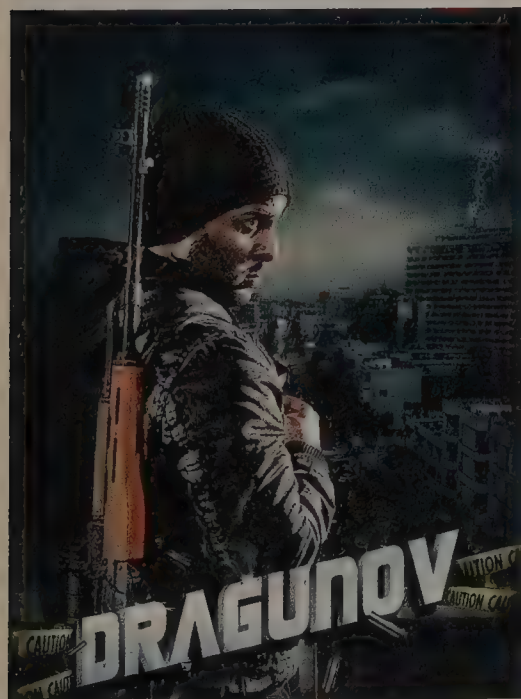
The makers of "Dragunov", named after a Soviet-made sniper rifle, believe that their 15-part drama could act as a balm for Libya's soul as it struggles with the dark legacies of Muammar Qaddafi's rule and the subsequent bitter divisions that still threaten to tear the country apart. The familiar plot of star-crossed lovers is given a Libyan setting. Muna, whose father died in one of Qaddafi's most notorious prisons for dissidents, loves Omar, the wealthy son of a general who is staunchly loyal to the ►►

old regime. Their story arcs through dictatorship, revolution and the crazy aftermath, painting an unflinching portrait of post-Qaddafi Libya, wars and all.

The young team behind the series, who also produced Libya's first political satire on television last year, has been accused of bias by all sides and of tarnishing the image of the army. It has also faced criticism for showing female characters (played by Tunisian actors) unveiled and smoking, both still rarely shown on screen in socially conservative Libya. "We expected controversy," admits Osama Rezg, the director. "Some of the revolutionaries will not like it and some of the former regime people will also not like it, but most Libyans will see it as a reflection of our complicated reality."

The drama is being broadcast on six national channels at a time when few Libyans see much prospect of reconciliation. The latest attempts at national dialogue—a UN proposal to bring Libya's myriad power-brokers round a table—foundered before last month's general election; the new parliament is due to hold its opening session on August 1st. "Everything is so polarised in Libya right now," says Mr Rezg. "Our series shows not everything was or is black and white. There were good guys and bad guys on both sides but we are all Libyans and we must all learn to live together."

If only. On July 13th fighting broke out at the international airport outside Tripoli, the capital. An alliance of militiamen, including Islamists and powerful groups from the coastal city of Misrata, attacked militias from Zintan, a mountain town south-west of Tripoli, which have controlled the airport since capturing it during the revolution. Burnt-out aircraft lie on the tarmac; the control tower has been badly damaged. International airlines are unlikely to return soon. Safer for Libyans to stay at home—and watch "Dragunov". ■



Think about the militias, don't join them

Iran's internet politics

Everyone's doing it

TEHRAN

Liberals and conservatives argue over restrictions on the internet

WHEN Iran's authorities started to block websites such as YouTube and Wikipedia in 2006, only a tenth of the population used the internet. Eight years later that figure has quadrupled. But to the religious conservatives who dominate the country's courts the rise is nothing to celebrate—or even tolerate. Already upset by the recent rejection of their plans to restrict access to WhatsApp and Instagram, hugely popular social-messaging and picture-sharing smartphone applications, Iran's legal establishment is stiffening its neck for a bigger confrontation, over curbing the giant filtering system that blocks access to thousands of websites. Once again, President Hassan Rohani's government is on the more liberal side of the argument.

In office for less than a year, Mr Rohani has in the past month dropped heavy hints about his intention to ease the restrictions that make criminals of many of the estimated 30m Iranians who go online. His case is simple: the world has moved on and technological progress means that Iran must move with it. Mr Rohani's culture minister, Ali Jannati, has gone further, likening the current restrictions to the ban on fax machines, video recorders and video tapes that followed the Islamic revolution of 1979, an action he described in March as—in hindsight—"ridiculous".

The head of Iran's judiciary, Ayatollah Sadeq Larijani, and the country's police chief, Esmail Ahmadi Moghaddam, oppose internet reform. Both sit on Iran's committee for determining what content is offensive; it proposed the WhatsApp and Instagram ban that was vetoed by Mr Rohani. Any reversal of internet restrictions would require the support of that committee, which includes a Revolutionary Guard commander and other appointees of the supreme leader, Ayatollah Ali Khamenei, whose ultimate blessing is also needed.

Yet censorship is starting to look silly. Though Facebook and Twitter are officially blocked, aides of Mr Khamenei and Mr Rouhani often post updates on the social networks, an action that means they use illegal software. The foreign minister, Muhammad Javad Zarif, who leads Iran's nuclear negotiating team, even has his Twitter account officially verified with the American company's blue tick.

Such double standards are noticed by Iran's technologically aware and curious young, for whom thousands of portals, ranging from the BBC news website and re-



formist blogs to hard-core pornography, are still reachable by using relatively cheap prohibited software. Ending such restrictions would take minutes. It would also remove the perennial suspicions of government interference that accompany the frequent occasions when Iranians experience a sudden slowing in internet surfing speed or access. Ross Anderson, professor of security engineering at Cambridge University's computer laboratory, explains: "It's just a matter of going into whatever building the spooks use and turning off the filters that block access." ■

Tourism in Saudi Arabia

Wish you were here

RIYADH

Can the kingdom attract more visitors?

"SAUDI ARABIA could be one of the great travel destinations of the Middle East." So starts Lonely Planet's guidebook to the kingdom before enumerating some of its charms: deserted Red Sea beaches, the pre-Islamic monument of Madain Saleh, verdant mountains and the empty quarter with its endless sand dunes. Yet the book's first and only edition was in 2004. Can the Saudi authorities persuade publishers that it is time for another?

Not for the first time the Saudis say they want more visitors. The pressure to attract them has grown. Jobs must be created for thousands of university students, soon to graduate. And though the country's financial reserves could sustain the current sky-high level of public spending for several years, the government must start to find sources of income other than oil, which

► provides over 80% of its revenue.

Around 14.3m people visited in 2012, according to the World Bank, making Saudi Arabia the world's 19th-most-visited country. But almost all come as pilgrims to Mecca or on business. Expos, conferences and flashy exhibitions are ever more common. But these visitors tend to stay only a few days, spend little and are concentrated in a few, already-wealthy parts of the country.

The idea of creating a tourist industry in the conservative, hermit-like kingdom is risible to many. In December the government said it would issue tourist visas for the first time, only to suspend them three months later, citing a need first to improve infrastructure. In any case, the Saudis are unlikely to woo Americans and Europeans, since the idea of Western infidels trampling across Saudi soil upsets the clerics of the strict Wahhabi sect that props up the ruling House of Saud. "Saudi has hundreds of potential Sharm el-Sheikhs," says John Sfakianakis of MASIC, an investment company in Riyadh, the capital, referring to the Egyptian resort on the southern tip of the Sinai peninsula where scantily clad

Russians and Swedes disport themselves on the beaches and in the bars. "But the culture is not conducive to that."

"What we want is Saudis to spend their disposable income here rather than abroad," says Prince Muhammad al-Faisal, who runs Al Faisaliah, a sprawling business group in Riyadh. "We need to look at why they are going to the UAE [the United Arab Emirates], for example." Sceptics point out that many Saudis go abroad for entertainment, since cinemas and alcohol are banned in the kingdom and women eagerly embrace the chance to take off the *abaya* (a long black cloak) that must be worn at all times in public.

The authorities may have come up with their best plan yet when they announced in May that they would encourage pilgrims to stay on for tourism. Prince Muhammad notes that many of them are keen to spend: his company sells far more consumer electronics during the *haj* season, for example. Still, the kingdom will have to do a lot more to show it seriously wants visitors. And the country's conservatives could yet scupper any plans. ■

their first three children are daughters, they are very likely to have a fourth very quickly (within 15 months). The differences are small but consistent: having a daughter first changes child-bearing choices later.

It also changes a woman's married life. Women with first-born daughters are 1.2 percentage points more likely to end up in a polygamous union. Some husbands, it turns out, take another wife if their first child is a girl (polygamy is legal in northern Nigeria and recognised by customary law elsewhere). Men also seem more willing to abandon or divorce wives who produce a daughter. Among women aged 30 to 49, those with first-born girls are more likely to be divorced, have a non-resident husband or be the head of a household.

Heading a household may sound like a good thing. But in Nigeria, as in most countries, female headship is associated with poverty. In fact, almost everything to do with having a daughter first is bad for women. Being in a polygamous household harms their health and their children's because of competition for food in the home. Having children in quick succession damages maternal health, since mothers need time to recover after giving birth. The need to produce sons may also help explain Nigeria's maternal-mortality rate of 550 deaths per 100,000 live births—one of the highest rates in the world, even though Nigeria is now a middle-income country.

The preference for sons is so profound that it even affects a practice which may seem to have little to do with it: fostering. Almost a fifth of families in Nigeria send a child away to be brought up in another household, often that of a cousin or distant family member. Households with several boys foster girls to help with the chores. But households with girls do not foster boys: they keep on trying to have a son of their own. The sense that nieces may be substitute daughters but nephews cannot be substitute sons shows how entrenched son-preference is. ■

Fertility and son-preference in Nigeria

Bring back the girls

Amid worries about kidnapped girls, Nigeria's traditions are unkind, too

SEX-SELECTIVE abortions are used around the world to discriminate in favour of boys. But not in Africa. Nigeria's sex ratio at birth is the natural one: 106 boys are born for every 100 girls (boys are more vulnerable to infant diseases, so this ratio ensures that equal numbers of the sexes reach puberty). By contrast, at its worst, China had 120 boys for every 100 girls. Moreover, in Nigeria, there are plenty of both: the fertility rate is 6.0, meaning the average woman can expect to have six children, or three sons. Parents have no need of extra measures to ensure boys are born.

Yet despite all this, a recent study* finds that Nigeria also suffers from sexual bias from birth and that, while this does not skew the sex ratio, it manifests itself in other ways that harm individuals and society as a whole. Son-preference damages maternal health, makes marriage trickier for women, increases polygamy and alters the institution of child-fostering, which is widespread in west Africa.

In Nigeria, as in many other African countries, only men may own family land. This gives everyone an economic need for

sons, including women, who face a grim widowhood without one. The need for sons changes fertility patterns. According to the latest demographic and health survey (financed by the American government), women whose first child is a daughter are likely to have more children than those whose first child is a son. They are less likely to use contraceptives. And, if



Still the desirable sex

* "Son preference, fertility and family structure". By Annamaria Milazzo. World Bank. Working Paper 6869.



Françafrique

François Hollande's African adventures

PARIS

The French are reorganising security in an increasingly troubled region

FRANCE's president, François Hollande, took office in 2012 knowing little of Africa. He may tread in the footsteps of his mentor, François Mitterrand, but he had none of the former Socialist president's cosy ties to African strongmen and French businessmen through the web of interests known as *Françafrique*. Yet Africa has a way of intruding on French politics. And Mr Hollande's tour of Ivory Coast, Niger and Chad between July 17th and 19th takes place amid a security rethink.

Accompanied by a group of businessmen, Mr Hollande's trip is partly meant to promote investment and contracts against Chinese competition. But the more pressing goal is to prepare for a new French security organisation. Twice last year, with uncharacteristic decisiveness, Mr Hollande sent French troops into African conflicts: to beat back a jihadist incursion in Mali, and to curb ethno-religious warfare in the Central African Republic (CAR). Now France wants to reorganise its troops in the region, under the banner "Operation Barkhane", as a 3,000-strong counter-terrorism force.

The new force will be permanent, with its headquarters in Chad's capital, N'Djamena. It has been designed with five countries that span the Sahel: Burkina Faso, Chad, Mali, Mauritania and Niger, all former colonies. A thousand French soldiers will remain indefinitely in Mali (down from a peak of over 4,000 last year), focused on counter-terrorism operations in

the north, where there has been a resurgence of violence. Another 1,200 will be stationed in Chad, the rest split between a surveillance base in Niger, a bigger permanent base in Ivory Coast, and some special forces in Burkina Faso. The French will supply Barkhane with 20 helicopters, 200 armoured vehicles, ten transport aircraft, six fighter planes and three drones.

The timing is linked to the winding down of "Operation Serval" in Mali. "The main objective of our intervention has been achieved," claims Jean-Yves Le Drian, the defence minister. In a narrow sense, he is right: the operation has kept the country from Islamist control and from becoming a "jihadistan". Elections took place last year. The French are handing day-to-day security to a 6,500-strong UN stabilisation force



Also in this section

- 46 Eastern Ukraine
- 47 Italy's judicial system
- 47 Europe's top jobs
- 48 Hungary's foreign policy
- 48 Slovenia's election
- 49 Charlemagne: Swiss lessons

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known by its French acronym, MINUSMA.

Yet the French have found the hand-over slow and the competence of the new troops variable. The transfer was recently delayed by an upsurge in violence between Malian troops and Tuareg separatists in northern Mali. On July 14th a French soldier was killed in northern Mali, underlining the instability. Those who had hoped that the French would be able to leave quickly (Laurent Fabius, the foreign minister, originally said it was not France's role to stay permanently) have had to revise their ambitions.

The new emphasis on counter-terrorism reflects shifting French military doctrine in Africa. Six years ago, under Nicolas Sarkozy, Mr Hollande's conservative predecessor, a defence review concluded that France should concentrate less on bilateral defence ties to ex-colonies in French-speaking Africa and more on a "strategic arc" of instability from north Africa to the Horn of Africa and the Gulf. With this in mind, Mr Sarkozy closed one of the three permanent French military garrisons in sub-Saharan Africa, in Senegal, and opened a new one in Abu Dhabi. French forces were to act less as regional gendarmes propping up vulnerable leaders, and do more for cross-border security and to combat terrorism.

The threat has grown since the fall of Libya's Muammar Qaddafi, and the focus has also shifted geographically: towards a desert "motorway" that reaches from the porous borders of southern Libya through the Sahel to the Atlantic. Along it flow arms, drugs, illegal immigrants and jihadists. The French want to disrupt these networks, which periodically target their citizens for hostage-taking. Hence the new emphasis on a light security footprint, with the capacity to operate fast and flexibly. "It's a significant change from the old model," notes François Heisbourg of the ►►

► Foundation for Strategic Research. “Hollande is confirming and developing what was begun under Sarkozy.”

France’s changing African ambitions are not without controversy. British noses were put out of joint by an unexpected French interest in Nigeria, the continent’s most populous country, which has strong post-colonial ties to Britain. In an oddly flashy way Mr Hollande invited regional leaders to Paris in May for a summit on security in Nigeria, to discuss how to combat Boko Haram terrorists in the Islamic north. With Nigeria bordered by four French-speaking neighbours, including Niger and Chad, the French have a clear interest in co-operation. But they are used to acting single-handedly in the region, and the British are wary of interference with their own surveillance activities.

At the same time, France is struggling with its operation in the CAR. Its mission was partly humanitarian, amid “pre-genocidal” massacres by armed Muslim and Christian groups, and partly a strategic ef-

fort to avoid the collapse of a landlocked, mineral-rich state at the intersection of many regional conflicts. Yet seven months afterwards, horrific bloodshed and pillaging continue. On a trip earlier this month, his sixth, Mr Le Drian had to change his itinerary after the slaughter of 20 civilians in one town. A UN report describes the country as “de facto partitioned”.

Mr Le Drian still hopes to reduce the number of French troops in the CAR, once a UN force begins to take over from African peacekeepers in September. But the chances of this happening fast are slim. “We found a situation in the CAR that was worse than we had thought,” concedes a French official. “We have a tendency to assume we know these places because we ran them in the past.” Without the French intervention, a real genocide might have taken place. But Mr Hollande, doubtless emboldened by his earlier success in Mali, underestimated the strength of the force needed to make a difference—and, once there, the difficulty of leaving. ■

do not yet cut the companies off from international business or block their assets. Instead, they restrict access to American debt and equity markets, barring loans of more than 90 days’ maturity. Eight defence firms, a few individuals and a Crimean shipping firm face more traditional asset freezes. The European Union has promised to follow suit, with the names of “entities and persons” affected to be released shortly.

The sanctions’ effect will depend on whether Mr Putin finds that another blow to his country’s wobbly economy hurts more than one to his pride. So far he has bridled, saying the decision would have a “boomerang effect” and that American-Russian relations were being driven to a “dead end”. In any case the fighting in eastern Ukraine has taken on a momentum beyond his control. Kiev’s “anti-terrorist operation” is alienating locals. Since the fighting began three months ago, 478 civilians killed, and 1,392 have been wounded. The anger on the ground may be creating conditions for what Alexander Golts, an independent Moscow-based defence analyst, calls “a long partisan war”.

The rebels’ attitude is “victory or death”. At one militia’s base on the edge of Donetsk, where shelling has ravaged residential areas, three weary soldiers take cover in a bomb shelter. “People don’t fully comprehend what is happening,” says one, referring to stunned locals who peek out of their windows when they hear the sounds of battle. He might have been speaking of the outside world. At another base, away from the fighting, few think it will stop soon. “It’s not fucked up,” says Maksim, giving a soldier’s assessment. “It’s completely fucked up.” A brawny ex-paratrooper, he once served in the same Ukrainian army he now fights against. He promises to stand till the end. ■

Eastern Ukraine

Fighting on

DONETSK

As the battle continues and the death toll mounts, the West imposes more sanctions

THE two presidents could not have offered a greater contrast. Announcing new sanctions against Russia on July 16th, America’s Barack Obama read a prepared statement and took no questions. Minutes later, Russia’s Vladimir Putin staged an off-the-cuff press conference in Brazil to assail the sanctions’ legitimacy. He let emotion take hold, reaching a crescendo during a riff about the “tears of mothers, widows and orphans” in Ukraine.

The new sanctions come at a crucial juncture in Ukraine’s war. The death toll, both civilian and military, is rising as the fighting creeps into Donetsk and Luhansk, eastern Ukraine’s two biggest cities. Russia has not stopped its support for rebel forces, and has even ramped up equipment transfers following the fall of rebel-held Sloviansk two weeks ago. Kiev has implicated Moscow in the recent downing of two Ukrainian military aircraft. After an air strike demolished an apartment block in the city of Snizhne on July 15th, Ukrainian officials called it a Russian provocation, saying none of their planes took off that day. That would imply Russia sending a jet more than 20 kilometres (12 miles) across the border to bomb a residential neighbourhood and poison opinion against Kiev, a cynical notion even for Mr Putin. But to blame Ukraine is to accept that the coun-

try’s armed forces are dangerously incompetent or stunningly cruel. Neither version suggests the conflict will abate soon.

The main targets of the new sanctions are two prominent banks (Vneshekonombank and Gazprombank) and two energy firms (Novatek and Rosneft). The sanctions



Aftermath of a bombing

Italy's judicial system

Justice denied?

ROME

Civil-justice reform in Italy is pressing—and difficult

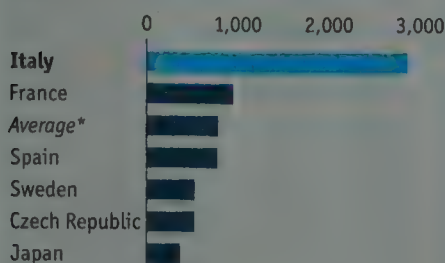
FOR a small firm just breaking into foreign markets, it was a big deal: one of Italy's cities wanted a new leisure facility. Then political power shifted and the new council scrapped the project, without any compensation for losses running to around €100,000 (\$140,000). The firm's bosses turned to their Italian lawyer, who advised them to do nothing.

Why? Because it would take years to come to a judgment and, even if they won, it would not be worth it. The sluggishness of civil justice is a big reason why the Italian economy is still not growing. On July 14th Mario Draghi, president of the European Central Bank, said that speeding up the courts would be one of the most effective, and least expensive, reforms that Italy could undertake. According to the World Bank's "Doing Business" survey, it is harder to enforce a contract in Italy than in Haiti and over 100 other countries.

"There are defence companies that export all over Europe, but not to Italy, because they believe that what they make will be counterfeited and that to get redress will take many years," says a commercial diplomat. The difficulty of debt recovery is a bar to foreign direct investment (FDI), costing jobs and know-how (Italy's stock of FDI as a share of GDP is the lowest of any big European economy). Court delays also stop firms growing: many prefer to do business only with a circle of trusted customers. A study by the OECD, a rich-country think-tank, finds the average length of a civil suit through all its stages is eight years, far higher than elsewhere (see chart).

When Mario Barbuto became president of the main civil court in Turin 12 years ago, he found the oldest case had been initiated 43 years earlier. By 2009, when he left, he had cut the average length of a civil case in the city from seven years to three. His secret? The deployment of basic managerial techniques. One was to impose a FIFO ("First in, first out") principle to cases instead of the LIFO ("Last in, first out") one he found many fellow judges followed. Mr Barbuto has now joined the justice ministry in Rome as head of judicial organisation. Matteo Renzi, the energetic centre-left prime minister, has announced plans to halve Italy's backlog of 5.2m cases and ensure that all trial stages are completed within 12 months. This is welcome news to reformers: for a decade Silvio Berlusconi's legal problems meant an exclusive focus on the criminal-justice system.

Costly delays

Average length of a civil trial including appeals
DaysSource: OECD Economics Department
Policy Notes (2013), "What makes
civil justice effective?"*Of 16 countries
studied

If Mr Renzi is good at setting ambitious targets, he is not always so good at meeting them. But Rodolfo Sabelli, president of the association of Italy's judges and prosecutors, believes his hopes for the civil-justice system can be fulfilled. He notes that the government has brought in a measure to give judges more support for ancillary tasks. It is encouraging the digitisation of proceedings and the settlement of disputes outside court (one cause of Italy's vast backlog is that Italians are so litigious).

Europe's top jobs

Indecision time

BRUSSELS

European Union leaders squabble but fail to agree on their top jobs

MATTEO RENZI summed it up best. The Italian prime minister suggested that "they just had to send an SMS and we could have saved the cost of the official flight. In any case, it was a nice opportunity to meet and wish Angela Merkel a happy birthday." Indeed, European Union leaders in Brussels toasted the German chancellor's 60th birthday this week. But they failed to settle the main business: a package of top EU jobs.

A day after the European Parliament endorsed the much-contested nomination of Jean-Claude Juncker as president of the European Commission, leaders were meant to pick names for the other big posts: the high representative for foreign affairs, the president of the European Council and a new president of the Eurogroup of finance ministers. The stumbling block was Mr Renzi's nomination of Federica Mogherini as the foreign-policy supremo. As Italy's foreign minister of five months, she has barely more experience than Catherine Ashton did when she was named to the post in 2009. But she ran into objections from several eastern European countries, among them Poland and the Baltic states, who see Ms Mogherini as too pro-Russian. It did not help that she visited Moscow just before the summit and talked up the Kremlin-

The idea that justice delayed might be justice denied has cut little ice until now. Apart from a lack of encouragement to prioritise, Mr Barbuto says, judges have long been "accustomed to think in terms of jurisprudence rather than management". Traditionally, they have won prestige and, to a limited extent, promotion by delivering long, wordy but intellectually sophisticated written judgments. That is changing, says Mr Sabelli. "The law calls for written reasoning. But judgments are becoming progressively shorter and more compatible with greater speed."

Roger Abravanel, a former management consultant who brought Mr Barbuto's achievements to public notice in 2008 in his book, "Meritocrazia", is more sceptical. He notes that the justice ministry's power to make reforms is limited since judges are answerable only to the self-governing Superior Council of Magistrates. He says the government needs to find ways to exert indirect pressure on them, such as devising and publishing performance indicators. "The only solution," he says, "is to create transparency, peer pressure and citizen pressure." ■

backed South Stream pipeline.

The Mogherini row made it inevitable that the whole package would need to be agreed at the same time so that all could be satisfied. Leaders thus found themselves speaking in circumlocutions. They discussed the balance between left and right, north and south, men and women and, belatedly, east and west—all without mentioning specific names.

Ms Mogherini remains the woman to beat. Both Mrs Merkel and France's President François Hollande said the high representative should be from the centre-left political group. Whatever their misgivings about the Italian foreign minister, most leaders have other priorities. The British do not want to be at the centre of another fight after losing the bust-up over Mr Juncker; the Germans are more concerned to get the right dealmaker as president of the European Council; and the French want to ensure that their commissioner, Pierre Moscovici, gets a senior economic job in the commission. Mr Juncker, diplomats say, was not ready to make any promises. Herman Van Rompuy, the current president of the European Council, will now consult again before a special summit on August 30th, but doing a deal even then may still be hard.

Hungary's foreign policy

Between Brussels and Russia

BUDAPEST

The prime minister seeks to play off east and west

VIKTOR ORBAN is not used to losing. His right-wing Fidesz party won a two-thirds majority in April's election, repeating its 2010 triumph. Yet alone (except for Britain's David Cameron), he refused to back Luxembourg's Jean-Claude Juncker as president of the European Commission. Hungary voted against Mr Juncker to send a "powerful signal" against "surreptitious" changes of the European Union treaty, Mr Orban said last month. On July 15th Mr Juncker was elected by the European Parliament anyway. Yet Mr Orban's domestic position may have been strengthened.

In Hungary, as in Britain, Brussels-bashing wins votes. Mr Orban has been at verbal war with the EU since 2010. In March 2012 he told cheering supporters that Hungary would never be a "colony". He compared EU officials to Soviet officers. "We are more than familiar with the character of unsolicited comradely assistance, even if it comes wearing a finely tailored suit and not a uniform with shoulder patches."

Mr Orban's diplomatic isolation is not proof of his being wrong, say his supporters. Rising hostility to the EU was reflected in the European elections, when support leapt for Eurosceptic parties. Braver leaders would have followed their voters. Hungary's opposition to Mr Juncker was not personal but procedural, said Zoltan Kovacs, a government spokesman. "We are opposed to a federal United States of Europe. We believe in co-operation between sovereign nation states."

The EU has objected to Hungarian laws on the central bank, the judiciary and the media as well as to provisions for the distillation of *palinka*, a potent fruit brandy. But barring minor adjustments, the Orban project proceeds steadily. The prime minister has centralised power to a degree unprecedented since the collapse of communism. A report by the Organisation for Security and Co-operation in Europe notes that, though there was a "diverse choice" of parties at April's election, Fidesz benefited from "restrictive campaign regulations, biased media coverage and campaign activities that blurred the separation between political party and state".

Some accuse Mr Orban of looking admiringly east at the state-controlled crony capitalism of the former Soviet Union. Certainly, there is talk on the nationalist right, from Fidesz to the far-right Jobbik, of the decline of the West. The government has boosted Hungary's trade links with Russia,

Slovenia's election

A new man for the job

LJUBLJANA

Dissatisfied Slovenes vote heavily for a political newcomer

IN HIS victory speech Miro Cerar, who is almost certain to be Slovenia's next prime minister, said his country needed a change of political culture and more "respect for fellow men". Many Slovenes agree, which is why more than a third voted for Mr Cerar, who formed a party (named after himself) only on June 2nd—and came top, with 36 of the parliament's 90 seats, in the election on July 13th.

Much of what Mr Cerar says is hard to dislike. Aljaz Pengov Bitenc, a political blogger, says this allows people to see whatever they want in him, be that "perfect son-in-law or Dalai Lama". He has taken positions against privatisation which the left likes, but also more conservative ones that the right support. A mild-mannered, 50-year-old constitutional-law professor, he has a reputation for probity and modesty. He has advised politicians and parliament for two de-

acades and is known for his television appearances to explain legal matters.

Mr Cerar will spend the next few weeks talking to most other parties about a coalition. Only one party is ruled out, he says: the conservative Slovenian Democratic Party of Janez Jansa, a former prime minister. The second-largest party, it said before the election that it would not do business with Mr Cerar. Mr Jansa was jailed for corruption on June 20th. The trial, says the party, was politically motivated. It says Mr Jansa's human rights have been violated and his jailing before the poll made it illegitimate. Mr Jansa could be freed on appeal, but for the time being he tweets bitterly from jail.

The coalition will probably, but not certainly, include the pensioners' party. Mr Cerar will also talk to the Social Democrats, who suffered a humiliating defeat; to a centre-right party; and to a small party led by Alenka Bratusek, the outgoing prime minister. She formed this party after falling out with Zoran Janjanc, the leader of Positive Slovenia, which won in 2011 but has now been eliminated from parliament. The political bent of the new government will depend on whom Mr Cerar strikes a deal with.

The past six years have seen Slovenia buffeted by crisis. In December the government just avoided a euro-zone bailout by organising a bank-rescue plan. Mr Cerar is against privatisation of infrastructure assets of strategic importance. He will look at how far plans have gone for sales of Telekom Slovenije and Ljubljana airport; if he finds it is too late to halt them, he says they will go ahead because "we must preserve the credibility of Slovenia as a state." He also needs to revive the economy, to build on modest recent signs of growth.



Cerar, from novice to winner

China, Kazakhstan and Azerbaijan.

In March Hungary signed a €10 billion (\$14 billion) loan agreement with Russia to expand and modernise Paks, a nuclear power station. The deal was done after lengthy secret negotiations, and without a public tender. Benedek Javor, an opposition Hungarian MEP, has asked the European Commission whether it plans to investigate the agreement for potentially breaking European competition law.

Mr Orban is trying to reap maximum advantage as he manoeuvres between Brussels and Russia, says Peter Kreko of Political Capital, a think-tank. "He needs European Union money and does not

want to leave the EU. But he also wants to send a message to Europe and to the USA, that if they don't take Hungary seriously, it has another ally: Moscow."

Hungary's policy towards Russia is pragmatic, insists Mr Kovacs. Other European countries, such as Germany, have much deeper trade and energy links. The process of renewing the Paks nuclear reactor and the discussions with Moscow began under the former Socialist government, when there was a bipartisan consensus. "There was only the necessary amount of secrecy. These are not roadworks. This is a serious business with national security aspects." ■

Charlemagne | Hail Helvetia

Some Swiss lessons for the euro zone



THE euro crisis has recreated a rift between a Germanic north and a Latin south that decades of integration tried to efface. Economists and political scientists puzzle over its persistence. Some point to patterns of industrialisation, of literacy or even of Catholic and Protestant attitudes to sin and redemption. Whatever the roots, the euro has made it worse.

Belgium offers a worrying glimpse of what the euro zone might yet become: a dysfunctional, over-bureaucratic polity with bewildering layers of government, infused with a poisonous resentment between a dependent French-speaking south and a subsidising Flemish north. But there is a more hopeful model: Switzerland, which for all its linguistic and religious splits, combines prosperity with contentment and a dose of direct democracy. An index of the best places to be born in 2013, compiled by our sister company, the Economist Intelligence Unit, put the Alpine confederation comfortably first.

The European Union has often looked to America, a continental federation, for inspiration. But it could usefully study how the Swiss bring together Catholics and Protestants and German-, French-, Italian- and Romansh-speakers. The usual stereotype breaks down: rich French-speaking cantons like Geneva and Vaud pay for poorer German ones such as Uri. There is something for every taste: Scandinavian standards of living, German fiscal rigour, French-style “solidarity” transfers, Luxembourg-like love of bank secrecy, Irish tax competition and a British cussedness about the EU. Switzerland is neither in the EU, nor in the looser European Economic Area. It has a web of bilateral deals with Brussels—though these may yet be torn apart by the Swiss referendum in February that rejected the free movement of workers.

Above all, Switzerland has a successful currency union without the euro zone’s onerous central edicts on everything from deficits to labour policy, pensions and investment. Although the Alpine cantons started to bind together in medieval days, they developed a single market only in the 19th century—starting, like the EU, with goods and spreading imperfectly to services. A single currency replaced multiple cantonal ones from 1850.

What lessons does Switzerland offer? A strong doctrine of subsidiarity, whereby tasks should be done at the lowest possible level of government. Cantons have ceded powers to the confederation

piecemeal (its right to raise taxes must be reviewed periodically), but have also devolved them to communes. All three levels of government have taxation powers and provisions for issues to be decided by referendum. German economists also point to Switzerland’s mechanisms to control public spending and enforce a no-bail-out rule. The big difference, though, is that cantons have drafted their own balanced-budget rules and voters have forced similar ones on the confederation. The euro zone imposed too much austerity on troubled countries, but Switzerland has shown that running surpluses and paying back debt in good times creates more scope to respond in a crisis. The thrifty burghers even voted down plans to bid for the winter Olympics.

So is Keynesian stimulus banned? Not entirely. Balanced-budget rules vary. Some allow for downturns or exclude investment from the numbers. The confederation can approve exceptional spending, such as when it saved UBS, a big bank. Switzerland’s “banking union”, to use the EU term, is narrower than the euro zone’s (it covers just three “systemically important” banks) yet it is clear that the confederation ultimately guarantees the system. There is no such euro-zone backstop. At the height of the financial crisis in 2008 stimulus was also entrusted to the Swiss National Bank, which cut interest rates more than the European Central Bank. It has fewer qualms about buying debt or, indeed, large amounts of foreign assets to hold down the Swiss franc.

The deeper difference is that Switzerland is a federation that calls itself a confederation, whereas the euro pretends to be a federal currency but actually preserves 18 sets of national economic and fiscal policies. Swiss monetary union came after centuries of political unity; the euro unwisely tried the reverse course.

All for one and one for all

Imbalances between Swiss cantons and shocks that hit some more than others are absorbed by the economy as a whole: by an integrated financial system, by workers moving to where the jobs are, by countrywide provision of welfare and public goods (eg, roads) and by transfers from rich to poor cantons. The confederal budget is smallish, at 11% of GDP, but that is far larger than the EU’s, which is less than 1% of GDP. The EU could learn from the Swiss “equalisation fund” (about 0.8% of GDP), which creates a transparent system of transfers from richer to poorer regions. By reckoning the payments annually according to the tax base (rather than how cantons tax and spend) and by providing lump sums instead of semi-hidden subsidies, the system preserves cantons’ freedom of action and also encourages tax competition.

None of this is to idealise Switzerland. Its politics is full of arguments about money. Sometimes referendums play up social divisions, or stoke anti-foreigner populism. What is feasible in a small country may not be across a continent: for instance, neutrality is not an option for most EU countries. But Switzerland offers useful pointers for the euro zone. Restoring market discipline through a no-bail-out rule, stronger fiscal federalism, a deeper single market and a more rational EU budget could create a system that requires less bossy interference by Brussels. Establishing clearly defined tasks for every level of government, each with its own resources, would help make the system more accountable. Direct democracy can transcend identity politics. “A bigger Switzerland” is a term of insult among EU watchers. But the euro zone might do better if it were a little more Helvetic. ■



Politics

Dressing up for the election

David Cameron carries out a big, risky cabinet reshuffle with just one aim in mind

IT WAS not quite like the “night of the long knives” in 1962, when his hero, Harold Macmillan, sacked a third of the cabinet. But the reshuffle David Cameron, the Conservative prime minister, carried out on July 14th and 15th was far gorier than expected. Hitherto a reluctant sacker, Mr Cameron showed the door to five cabinet ministers including two of the most senior, in William Hague, the foreign secretary, and Michael Gove, the education secretary, and moved around 44 ministers in all.

The result is a government that is a little more female, with the ascension of three more women to the cabinet—including Nicky Morgan and Liz Truss, respectively the new education and environment secretaries—but also weaker. Mr Gove, who becomes the Tory chief whip, was its most effective reformer: under his command, thousands of schools have been freed from local-authority control and tests have been toughened. Yet this reshuffle was not designed to create a stronger government.

After four years of unusually elongated coalition rule, Mr Cameron is contemplating a summer recess followed, in September, by an independence referendum in Scotland, then a rousing party conference and, next May, a general election. The government, as this reshuffle has underlined, has little legislative business or ambition left in it. The prime minister's thoughts are already on the campaign trail.

Adding a few women to his team is part of that effort. Ms Morgan, a 41-year-old former Treasury minister and “reliable blue-stocking”, in the semi-admiring words of one Tory minister, should be up to the job of shepherding Mr Gove's many unfinished reforms. In Nick Boles and Nick Gibb, two newly appointed education ministers, she will have capable backup. Ms Truss, one of the stars of the 2010 parliamentary intake, and Esther McVey, a telegenic Liverpoolian employment minister who has been bumped up to the cabinet, are similarly promising, if untested.



Down or out: William Hague, Michael Gove, Ken Clarke, Owen Paterson, Dominic Grieve

Also in this section

51 The reshuffle and the EU

52 Bagehot: Cannonball Clarke

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Blooding them now looks like a fairly low-risk way to try out new talent, which might also ameliorate the fusty, grey-suited image of the Tories a bit. But no one thinks this is a big vote-winner for the party. It is mainly designed to head off an otherwise inevitable attack from Labour: in opposition, Mr Cameron vowed that a third of his cabinet ministers would be women by the end of the Parliament; this reshuffle takes them to a passable 29%.

The fortunes of Mr Gove and, to a lesser degree, Mr Hague reveal more about Mr Cameron's planning. Removing the education secretary was unexpected and, whatever Ms Morgan's quiet merits, is bad news for British schools, which he has done much to improve. Messianic in his vision and martial in his command, Mr Gove had suggested he would be keen to retain the brief if the Tories make it back to power. Moving him was justified only if Mr Cameron considered it would make that outcome appreciably likelier—and it seems that this was the view of Lynton Crosby, his blunt Australian strategist. Mr Gove's abrasive assault on “the blob”, as he derides the left-leaning education establishment, has made him one of the most recognised and most detested Tory ministers. Focus groups suggest over half of voters know who he is and tend to dislike him.

Becoming chief whip, a position vacated by Sir George Young, is a demotion for Mr Gove. It means less autonomy and a smaller salary. His wife, a newspaper columnist, was quick to suggest her disapproval on Twitter. Mr Gove himself noted, artfully, that it had been necessary for his friend the prime minister to “explain the allure” of his new job. But he will be influential in it: less in the whips' office, which will be largely run by his deputy, than as an additional strategist, with a seat in cabinet and on every high-level committee.



Moving up: Nicky Morgan, Esther McVey, Liz Truss, Philip Hammond, Jeremy Wright

Mr Hague, who, at 53, appears prematurely worn-out by politics, is a different case. He was shunted at his own request, after signalling his intention to leave Parliament next year. Yet he too will be employed on election-fighting duties, especially leading the Tory campaign in northern England, where his Yorkshire accent is one of the party's very few weapons. Provided its members do not trip up over one another, the reinforced Tory campaign team will be formidable.

These, and a somewhat higher pitch of Euroscepticism in the government (see next story) after the appointment of Philip Hammond, the former defence secretary, to replace Mr Hague, were the main strands of the reshuffle. Much additional commentary was reserved for the traditional argument over whether the right or left of the party had gained most from it. The answer is, probably neither. Moderates were annoyed by the ejection of Nick Hurd, Greg Barker and Damian Green from their responsibilities for civil society, climate change and policing; the loss of the septuagenarian Ken Clarke was a bigger, though expected, blow (see Bagehot). Yet the appointment of Robert Buckland as solicitor-general and the promotion of Mr Boles was consolation; and the Eurosceptic right of the party also suffered.

Its members raged especially over the sacking of Owen Paterson as environment secretary. A climate-change sceptic who was embarrassingly foiled in his attempt to cull badgers (he protested that the creatures had "moved the goal-posts"), Mr Paterson should never have had the job in the first place. Some also resented the slight, as they saw it, suffered by the former defence secretary Liam Fox. He was offered a foreign-office ministership but declined it, apparently considering the job beneath his dignity. Others thought this the act of an irksome prima donna, whose claims to lead the right of the party have always looked exaggerated.

There could be trouble for Mr Cameron from that quarter; its members have never cared for him, and Mr Fox and Mr Paterson can expect no future job offer under his leadership. Yet the prime minister will find that prospect unusually untroubling—which is the big story of this reshuffle.

Lifted by the economic recovery and, in Labour's leader Ed Miliband, a struggling adversary, Mr Cameron has never looked

more confident in command. The unprecedentedly bold personnel changes he has made are a sign of that. Not all will go well; some may prove disastrous. Yet even disgruntled Tories are talking about the new cabinet as being a foretaste of Mr Cameron's next cabinet, after they return to power. The Conservatives still trail Labour in the polls, but that outcome looks increasingly plausible. ■

Britain and Europe

The road to 2017

What the reshuffle says about David Cameron's plans for Europe

TO JUDGE by the reaction to this week's job shuffle, one would think Britain's exit from the EU was certain. Martin Schulz, the president of the European Parliament, attacked David Cameron's candidate for the European Commission, Lord Hill, for his "radical anti-European views" (if he really has heard of Lord Hill, he is one up on most Britons). There were more eruptions as William Hague, considered an EU pragmatist, was replaced by Philip



Europeans: do you know this man?

Hammond, who has said that he might vote to leave the union if it is not reformed. Labour hooted with derision at the sacking of Ken Clarke and Dominic Grieve, respectively the minister without portfolio and attorney general, both of whom favour the European Convention on Human Rights (ECHR).

In January 2013 Mr Cameron pledged to renegotiate Britain's membership of the EU and, if he wins next year's general election, hold an in-out referendum before the end of 2017. Many in Westminster were therefore seeking, and found, signs that the prime minister is sharpening his stick.

But pro-European Britons dispute Mr Schulz's claims about Lord Hill (pictured). "He is not a head-banger," argues Richard Corbett, a veteran Labour MEP. He and others point to Lord Hill's experience of Brussels as an adviser to previous Tory governments. Lord Hill may not be well-known or a political heavyweight, but he is considered affable, intelligent and good at the quiet backroom negotiations that dominate European diplomacy. He even speaks some French.

Mr Hammond's appointment is less outrageous than it looks, too. He too speaks French (these things matter in Brussels). More important, his loyalty to Mr Cameron is more deep-rooted than his Euroscepticism. The prime minister wants to bring the government's European policy further under his personal control—as coming battles over welfare claimants from the EU and judicial integration should show. He needs an unexciting but competent administrator to run the Foreign Office in the meantime. Mr Hammond fits the bill.

The reshuffle nonetheless hints at how Mr Cameron would approach a renegotiation. His choice of amenable, staid men for the jobs of foreign secretary and European commissioner suggest the process would be run from Downing Street. The removal of Mr Grieve and Mr Clarke suggests that withdrawal from the ECHR could feature prominently, at least if Mr Cameron wins a majority: the Liberal Democrats, potential coalition partners, swear they would have no part in it. The urge to maintain a Eurosceptic patina at home would trump diplomatic concerns. Britain's neighbours can expect brusque treatment.

So while the reshuffle was not as anti-EU as the prime minister's critics claim, it does not divert Britain from its steady drift towards a possible exit from the union. Now, as before, the new commission president, Jean-Claude Juncker, is reluctant to make concessions. Few, if any, other European governments feel they owe Mr Cameron anything. And the renegotiation the prime minister is likely to obtain will be not nearly as far-reaching as the one his backbenchers want. It will take more than a couple of Francophone technocrats to alter that. ■

Bagehot | Cannonball Clarke

Astute, decent and effective, Ken Clarke is an example to all Britain's reviled MPs



AFTER a 40-year career at the pinnacle of Westminster, including most of Britain's biggest jobs, Ken Clarke was on his way to enforced retirement from the cabinet. The ministerial Jaguar parked outside had become a tumbril. His next stop was 10 Downing Street, where he would be deprived of its keys. What, as the end loomed, was uppermost in the mind of this Conservative titan, a former health, home, education and justice secretary, a brilliant former chancellor of the exchequer? "I think," offered Mr Clarke, in his mellifluous rumble, "I'll have a gin-and-tonic."

Why break the habit of a lifetime? It was gone noon. And Mr Clarke has endured worse indignities than being dispatched to the back benches (nominally of his own volition) in his 75th year. Such as arriving at posh Nottingham High School as the 11-year-old son of a shopkeeper; he sounded like Lady Chatterley's lover, all "thous" and "thees". Or such as his first campaigns, fighting a Labour majority of 20,000 in Mansfield; he only got the ticket because he charmed the local Tories by telling the truth—he needed a hopeless cause to practise on because he couldn't afford to leave the bar. Then there were all those scraps in the 1980s, with ambulance drivers, doctors and teachers, as one of Margaret Thatcher's boldest reformers—and with Thatcher, too. "Margaret and I used to have the most awful rows, both of us standing up and shouting," he chuckles. "Then she'd promote me."

The press were less forgiving. The *Daily Mirror*, a left-wing tabloid, once ran a poll asking its readers whether Mr Clarke was a "moron" or a "prat". Right-wing papers, who loathed his Europhilia and louche beer-swilling style, were nastier. "They've wanted to see the back of me for years," he says, with now the wine-list in hand. ("A bottle? What a good idea...") But almost the only times he hit back was when a tabloid suggested his marriage was rocky and a broadsheet questioned the sincerity of his love of cricket.

Unflappable and unchanging—these are characteristics that shine through Mr Clarke's record. In a crisis, the first makes him indispensable. When others retreat—for example, Norman Lamont, his quavering predecessor at the Treasury, in the calamity of Britain's 1992 exit from the Exchange Rate Mechanism—he attacks. He adores the fray. It was what attracted him to politics in the first place, long before he knew which party he preferred; at Cambridge he joined them all. If there is safe ground to shore up,

he finds it—a skill, his old Labour sparring partner Jack Straw notes, that comes from listening to his opponent's argument. Or if the government has balled up royally, he lets the insults fly. A justified assault by Gordon Brown "had about as much policy content as the average telephone directory," he once said, reducing the House of Commons to helpless laughter, as he often has. "The best parts of it were when you were quoting me."

The Tories could not do without that—much as they have tried. Thatcher was slow to promote Mr Clarke and, though she came to rely on him, was always suspicious. The problem was not his Europhilia; this, the reason he never led his party, is rather a recent black mark. It was Thatcher's feeling that he lacked her, or any, strong ideology. His One Nation Toryism, a mix of free market economics and commitment to the welfare state, was incoherent to her. His love of a fight, she suspected, was too much like an end in itself. The problem, wrote her devotee Alan Clark, a rakish junior minister, was that his near namesake "makes it up as he goes along." Yet this was to underrate Mr Clarke's consistency.

Like the jazz saxophonists he reveres, his improvisations and eccentricities have always conformed to a deceptively tight form, in two ways. First, intellectually; most of what he has done in politics is guided by a detestation of the vested interests he saw everywhere in the working-class Nottingham of his boyhood. Rotten Labour councils, the closed shop, high-handed police—he shows them the special loathing of a man whose talent and drive enabled him to shake free of the throttling social order they helped underpin. The contrast with Thatcher, another Tory part-raised above the family shop, was mostly only of degree. Their rows were rarely over first principles. The fiercest, when Mr Clarke was health secretary, was over the rival merits of her desire to introduce American-style health insurance and his rival scheme to improve the efficiency of the health service by applying market forces. Even their differences over Europe were later exaggerated; she would never have taken Britain into the euro zone, as Mr Clarke, wrongly, once wanted to; yet they scarcely disagreed over the issue while in government together.

Mr Clarke's other organising principle is more technical—it is the parliamentary system itself. This is the instrument he plays best and loves more than any other MP Bagehot knows. And its tensions—between self and party, speaking out and toeing the line—are manifest in his record. This is why he supported Thatcher after he believed she had gone off the rails and why he has backed Mr Cameron's misfiring policy of renegotiating Britain's place in Europe, which he must consider mad. At a tricky time in British democracy, his dedication to the system, even as he has stretched and coloured it, is Mr Clarke's great lesson to his peers.

It's best when you improvise

Because so much follows from it. The rise of headbanging Tory ideologues destroys the habit of compromise upon which Westminster depends—and which Thatcher herself, as Mr Clarke notes, displayed. Without this discipline the system crumbles, which to Mr Clarke is abhorrent. So is the rise of political spin, which negates the tradition of Westminster debate he reveres.

Mr Clarke has no illusions about the funk British democracy is in, with its plunging party memberships, hated MPs and falling turnouts. But reviving that tradition, of arguing for the best course, robustly, in plain language, might help reverse it. There is no better idea; anyway, he will be giving it a go. Relegated to the back benches, the old jazzman has a few tunes left to play. ■



Low-cost fertility treatment

Maybe babies

In vitro fertilisation, once seen as miraculous, is now mainstream in rich countries. Soon it may be cheap enough to help infertile people in poor places, too

IN FRANCE," says Fabrice Houdart, as he dandles his baby, "we are like a circus attraction." The Frenchman lives in Washington, DC, with his American boyfriend and their two children, who were conceived using eggs from a Californian donor and born by a surrogate in Pennsylvania. Families built with such a variety of help are still rare enough to raise eyebrows. But across the rich world "test-tube babies" no longer draw a second glance. Since the first, Louise Brown, was born in 1978, 5.5m more have followed, half of them in the past six years.

Back then, doctors had to hope that the single egg they retrieved would be fertilised when mixed with sperm, and that the resulting embryo would be a winner. Success rates were just a few percent. Now, with stronger drugs to stimulate ovulation and better laboratory techniques to manipulate and store embryos, more than a quarter of IVF attempts result in a baby.

For the infertile couples it helps, IVF is close to a miracle. But for many more, the cost is prohibitive. Public health programmes in some rich countries, including Australia, Japan and several European ones, cover IVF for some who need it, but rarely all. Britain's National Health Service, for example, does not manage to pay for the three tries its guidelines recommend for all who would benefit. In America, where IVF is rarely covered by insurance and an attempt costs around \$15,000, at

most a quarter of those for whom IVF is clinically indicated are actually treated.

The unmet need in developing countries is higher still. That is partly because people have less money, but also because infertility is more common. Genital mutilation, unsafe abortion and poorly attended births cause infections that leave women with blocked Fallopian tubes, making normal conception impossible. Sexually transmitted diseases scar both men's and women's reproductive systems. The World Health Organisation estimates that around 50m couples worldwide have been trying to conceive for at least five years without success. Almost none of those in developing countries can hope to get treatment.

The grief of infertility is sharper in poor countries, too. In Africa and much of Asia it carries a stigma, nearly all borne by women. Male-factor infertility is rarely acknowledged except when a man has failed to father children with several women. A "barren" wife is often ostracised, beaten or abandoned, or infected with HIV/AIDS as a result of her husband straying in the hope of a child. She is at higher risk of being murdered or committing suicide.

Better health care would mean fewer people in developing countries becoming infertile in the first place. Now fertility doctors are trying to make IVF cheap enough to help many more of those who will still need it. Some are simplifying diagnosis, skipping some tests that are currently stan-

Also in this section

54 The debate about assisted suicide

54 The illegal trade in wild-animal products

dard, but still doing enough to tell, for most patients, which treatment would be best.

Others are cutting spending on equipment. Last year Belgian researchers tested a shoebox-sized IVF laboratory built from cheap glass tubes that uses baking soda and citric acid to create the carbon dioxide needed for fertilisation to occur. Pregnancy rates matched those from a standard laboratory and set-up costs are 85-90% lower. With fewer tests and less monitoring, running costs are slashed, too. Though of no use when the man's sperm is sub-par and thus needs to be injected into the egg under a pricey microscope, it should be sufficient for about 70% of infertile couples, says Willem Ombelet of the Genk Institute for Fertility Technology, who led the first trial.

The Low-Cost IVF Foundation, a non-profit based in Switzerland, is working with Zambia's health ministry to set up an IVF programme later this year. Costs will be shaved wherever possible, with the biggest saving coming from using clomiphene citrate, an oral drug that provides a modest boost to ovulation and costs just \$12 per IVF attempt, instead of the standard injectable drugs, which cost thousands.

Cut-price approaches will not be suitable for all couples, and success rates per IVF cycle may be lower. But if the savings are big enough, more infertile couples will be able to try at least once and the cost per baby will plummet. The Foundation's long-term aim is to show IVF can be included in a developing country's public health-care system for as little as \$300 per attempt, plus staffing costs. Gauging how achievable that figure is will only be possible once such treatment is up and running, says Ian Cooke, an emeritus professor at Sheffield University in England and one of its founders. If the programme in Zambia gets anywhere close to it, clinics in rich countries could start slashing prices, too. ■

Assisted suicide

Where to go to die

In a small group of countries helping someone to die is not a crime

JO BEECHAM, who was diagnosed with advanced ovarian cancer in 2011, keeps a stock of poison in her fridge. She may take it when her body begins filling with fluid as a result of the disease. It would be nice to have help, she says, but she doesn't want anyone to break the law. Though it is rarely prosecuted, assisting a suicide is banned in Britain, where she lives.

A bill now before the House of Lords would ease such dilemmas by making it legal for a doctor to help take the life of anyone who has been checked by two doctors and judged to have less than six months to live. The patient would still administer the lethal drugs. British politicians have failed to change the law before, but this bill shows more promise. Though he opposes the measure, David Cameron, the prime minister, says members of his government may vote with their conscience.

Public opinion in Western countries is strongly in favour of legalising assisted suicide. But governments have been slow to act. If Britain's law passes, it will join only a handful of countries that allow assisted suicide in at least some cases.

Switzerland permits even adults who are neither ill nor Swiss residents to be helped to die. Dutch law covers adults and children over 12 who are suffering unbearably with no prospect of relief. In February the Belgian parliament extended the law to cover all children close to death and suffering beyond medical help. In Luxembourg and the five American states that allow it, assisted suicide is reserved for the terminally ill. In most places, save Switzerland, doctors must approve the procedure.

Several other jurisdictions are passing laws, or contemplating doing so. Last month Quebec legalised doctor-assisted suicide for terminally ill residents. A committee set up by the French president, François Hollande, has recommended allowing assisted suicide in certain cases. Mr Hollande seems keen to move forward with legislation.

Courts have picked up some of the slack left by politicians. Last month one French court acquitted a doctor who gave lethal injections to seven terminally ill patients. Another ordered doctors to cease treating a man in a coma after concluding that this would have been his choice—though the European Court of Human Rights later overturned the ruling.

Traditional religious beliefs seem to play less of a role in shaping public opin-

The illegal trade in wild-animal products

Bitter pills

SINGAPORE

Parts from some endangered species are worth more than gold or cocaine

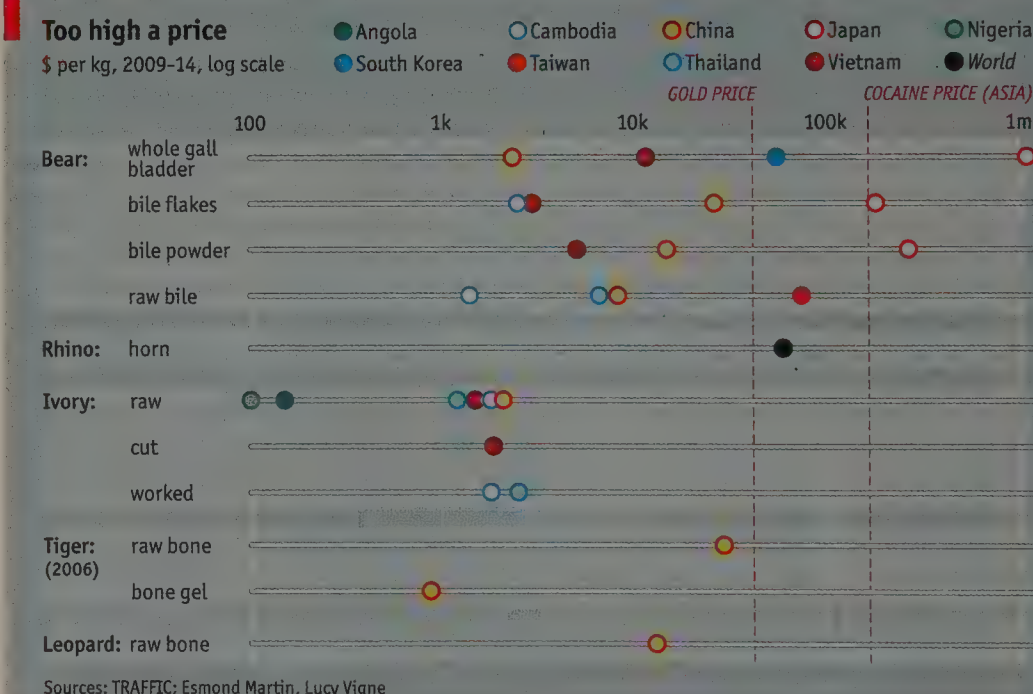
AT \$10 billion a year, illegal wildlife makes up the world's fifth-largest illicit market behind drugs, counterfeit products, trafficked people and smuggled oil. An intergovernmental conference in Geneva from July 7th-11th revealed the special worries about ivory smuggling in Thailand, rhino-horn trafficking through Mozambique and trade in tiger parts across South and South-East Asia.

According to TRAFFIC, a lobby group, the street value of rhino horn is \$60,000 per kilo—more than the price of gold (see chart). Gram for gram, a bear's gall bladder sells in Japan for more than six times as much as cocaine in Asia. Booming demand from Asia's growing middle classes is pushing some species close to extinction. As supply dwindles, prices rocket, which tempts criminal gangs to sink their claws in even further.

Elephant ivory is valued for aesthetic reasons. Demand for rhinoceros horns, the paws and bile of Asiatic black bears

and sun bears, tiger bones and penises, and deer musk, is stimulated by the healing powers ascribed to them in traditional Chinese medicine. Rhino-horn shavings boiled in water are said to cool and to cure headaches; the brew is akin to fingernail clippings in water (both are mainly keratin, an indigestible protein). Bear bile does help with gall-bladder and liver problems—but no more than the synthetic version of ursodeoxycholic acid, its main component.

In February 41 countries, including China and Japan, and the European Union signed a declaration against trade in illegal wildlife products. Chinese law punishes the purchase or consumption of endangered species with up to ten years in jail. But in May, when Philippine forces seized a Chinese vessel carrying sea turtles, giant clamshells and live sharks off the disputed Half Moon Shoal, China expressed outrage at the "provocative action"—not the illegal cargo.



ion than they used to. Two prominent Anglican clergymen—Desmond Tutu, a Nobel peace-prize winner, and George Carey, a former archbishop of Canterbury—have publicly supported the proposed British measure. Despite France's Catholic heritage, support for assisted suicide is still high, and the issue has not sparked the same opposition as gay marriage. Even in America nearly half of those attending weekly religious services back physician-assisted suicide.

But when it comes to the details, there is less agreement. Even liberals have criticised Switzerland's lax rules and Belgium's decision to give terminally ill children the right to die. Medical advances that make it possible to keep the very ill alive for a while longer are also costly, raising fears that those not eager to die may choose suicide to ease the burden on their relatives and carers. Even countries that accept the principle of assisted suicide will find that the debate is just beginning. ■



Weapons-makers

The case for defence

FARNBOROUGH

The squeeze on global arms spending is ending—but life is likely to keep getting harder for makers of military equipment

THE star of the show was missing from the skies above the Farnborough air show, Europe's biggest aerospace get-together, which began on July 14th. The F-35 fighter (pictured), which was to have made its first appearance outside America, is grounded after an engine fire. Not taking to the air when expected is a trait of Lockheed Martin's jet. It is years behind schedule and stratospherically over budget. Its absence is an embarrassment for Lockheed but, then again, its presence might have reminded the defence officials shopping for kit at Farnborough of just the sort of complex and expensive programme that they want to avoid signing up to in future.

Arms-makers are going through a lean period. Some big contracts, such as ones to make bombers, trainer aircraft and drones, are still up for grabs in America, the world's biggest spender. But it and other rich-world governments, struggling to curb their deficits, are trying ever harder to get the most bang for the fewest bucks. The revenues of 17 of the top 20 American weapons-makers shrank in 2013. American-led wars in Iraq and Afghanistan had helped to push global spending to a record \$1.7 trillion in 2008. Since then it has plunged by \$100 billion, according to IHS Jane's, a consulting firm.

The good news for arms-makers is that the worst is probably over. America's Congress has partly reversed automatic cuts it had imposed to deal with a ballooning def-

icit. In Europe the rate of decline is slowing. Growing wealth in emerging economies and new threats in Syria, Iraq and the South China Sea are encouraging rapid spending growth in Asia, the Middle East and Latin America. In all, the market for military kit (excluding Russia and China, mainly closed to Western firms) is set to bottom out next year (see chart 1).

Although the Pentagon's budget is as big as that of the next 15 defence ministries combined, its coffers are no longer bottomless. It wants more "make do and mend", upgrading existing equipment. The model here is Boeing's venerable B-52 bomber, which has been constantly refitted, and will fly on past its 90th birthday in 2042.

The Pentagon has moved away from

conventional "cost-plus" contracts, which give contractors an incentive to overspend, since they are guaranteed a margin on top of whatever their costs turn out to be. But in the department's annual assessment of its own competence as a buyer, published last month, it noted that the alternative, fixed-price contracts, has not always proved better: indeed, contractors sometimes end up with profit margins "spectacularly" higher than in cost-plus deals. So the Pentagon is seeking to create more sophisticated contracts that encourage arms-makers to find cost savings that are shared with the taxpayer.

America is taking an interest in moves across the Atlantic, especially in Britain, to get companies to take over the ownership and upkeep of weapons systems. A deal Britain struck with BAE Systems in 2009 provides "strike power by the hour" for the Royal Air Force's Eurofighter Typhoon jets. The RAF's commitment to low-cost flying was reinforced with the announcement at Farnborough that maintenance contracts for transporters would go to Flybe, a budget airline. Britain even recently contemplated outsourcing its entire military procurement, only to get cold feet about such a radical move.

An earlier squeeze in military spending, in the 1990s, prompted a spate of mergers, as weapons-makers cut costs by joining forces. This time the Pentagon has made it clear that it will not accept further consolidation that damages competition. In Europe, political opposition hinders efforts at consolidation—Airbus's attempt in 2012 to merge with BAE Systems failed for this reason. With mergers out of the question, the big military contractors had to move quickly to prepare for the most recent round of spending cuts, by slashing costs and laying off battalions of workers. Now they are looking at what else they can do to prepare ►►

Also in this section

56 Japanese arms firms

57 A big tobacco merger's implications

57 Shire and orphan drugs

58 A Big Blue Apple for the workplace

59 Oil firms and "stranded assets"

59 Rupert Murdoch and Time Warner

60 Schumpeter: How big data will change businesses

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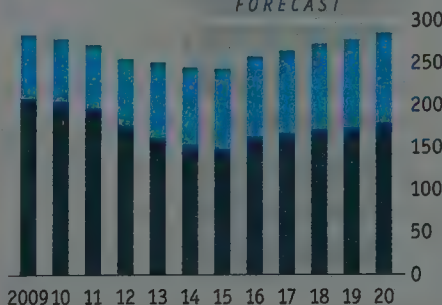
Economist.com/business-finance

Bucks for bangs

Defence-procurement spending, \$bn

■ NATO countries ■ Non-NATO countries*

FORECAST



Source: IHS Jane's

*Excluding China and Russia

► for an age in which budgets have stopped falling, but defence ministries are more demanding buyers.

One answer is to find new, civilian markets for their products. Some big suppliers to the armed forces, such as Boeing and UTC—the owner of Pratt & Whitney, a maker of aero-engines—already have even bigger civilian sides (see chart 2). But the more defence-heavy firms' past attempts at diversification into non-military work were "unblemished by success", in the words of Norm Augustine, a former Lockheed boss. Still, a lot of the things they make have civilian uses. Secure communications systems could help to protect banks and other businesses from hackers. Raytheon has just sold its Boomerang sniper-detection system to American power firms, after a gunman knocked out several transformers providing electricity to Silicon Valley.

Japanese arms firms

Late starters

TOKYO

It will not be easy for Japan's weapons sellers to win foreign orders

JAPAN'S parliament decided in 1967 that, in keeping with the country's pacifist post-war constitution, it should restrict exports of military equipment. In 1976 the policy was hardened into a ban on almost all foreign sales of weaponry. However, three months ago Shinzo Abe's nationalist-tinged government relaxed the ban. In the next few weeks it is expected to give the first arms-export licence to Mitsubishi Heavy Industries, a conglomerate that is a big supplier to Japan's own forces. Mitsubishi will make infrared sensors for Raytheon, an American weapons firm, which will put them on Patriot missiles that it will sell to Qatar, an American ally in the Gulf.

Mr Abe's policy change is designed, in part, to help Japanese firms achieve economies of scale, so they can supply Japan's own arsenal more cost-effectively. For years, domestic contractors have made small numbers of pricey submarines, tanks, fighter jets and other weapons for one customer: the country's Self-Defence Forces. For example, each of the handful of Soryu diesel submarines built by Mitsubishi and Kawasaki, another industrial giant, is said to have cost around \$2 billion.

The two groups hope, now the ban is lifted, to sell some of the technology developed for the Soryu, such as its ultra-quiet propulsion system, to Australia's navy. ShinMaywa, another Japanese firm, wants to sell an amphibious rescue aircraft to India's navy. Japan hopes that now its firms can make more parts for the F-35 fighter jets being sold around the

As yet, though, such contracts are a small part of most arms companies' businesses: civilian cyber-security and related activities provide only around 2% of Lockheed's revenues, for example. And although weapons-makers are "essentially tech firms", as Rami Myerson of Investec, a bank, puts it, they may struggle to compete with nimbler Silicon Valley outfits. Indeed these are beginning to invade the defence industry's territory. "Warfare is going digital," observes Tom Captain of Deloitte, a consulting firm. Tech firms have shown that they can supply robots, drones and intelligence software. SpaceX, founded by Elon Musk, a tech entrepreneur, is taking America's air force to court to reopen bidding for a satellite-launch contract awarded to Boeing and Lockheed.

If it is hard for military suppliers to make it on civvy street, it is not much easier

world, it will gain a greater say in the consortium of countries overseeing the hugely expensive project, says Narushige Michishita of the National Graduate Institute for Policy Studies in Tokyo.

Japanese firms wanting to sell weaponry abroad will still need their government's permission. At first it will be cautious in what it allows, predicts Robin Wilson of the European Business Council in Japan, who represents European defence firms that sell to the Japanese. The biggest Japanese contractors, such as Mitsubishi, may be itching to sell whole weapons systems—submarines, fighter planes, helicopters and land vehicles. But Mr Wilson thinks that at first, most exports will be of specialised components and of things that also have civilian uses, such as radars and optical sensors.

Satoshi Tsuzukibashi of the Keidanren, Japan's main business lobby, agrees that those of its members that make arms will think carefully about selling them abroad. Many are already exporters of civilian products, and would be wary of the image problems associated with being a weapons-maker—and in particular about the risk of a backlash in China.

In any case, Japan's 67 years of pacifism mean that its weaponry is not battle-tested. This is a disadvantage compared with, say, American or Russian kit, notes Robert Dujarric of Temple University Japan. Furthermore, when American firms sell arms, they often come as part of a package of American military assistance. Japan cannot offer that sort of protection, says Mr Dujarric.

for them to hawk their gear to new export customers. Plenty of countries, from the Middle East to East Asia, are spending more on arming themselves with jets, missiles and tanks. China's increasingly assertive territorial claims are prompting its neighbours to bolster their defences. But the market is highly fragmented: Brazil, among the bigger spenders, has a defence budget just 4% the size of America's. Not only is it costly to sell to lots of smallish customers; often they insist on some manufacturing being done locally, or on access to sensitive technology that the arms suppliers' home governments would not allow. India, the biggest prize, is a fearfully tough customer, imposing all manner of conditions in return for arms contracts.

The competition to sell to foreign powers is fiercer than at home. Asian and Latin American countries may prefer Russian or Chinese equipment that is not quite as good as Western gear, but far cheaper. Ever more countries with weapons industries of their own are encouraging their firms to seek new export markets, such as South Korea and Japan (see box).

Those arms-makers which are part of big civilian aerospace conglomerates can spread their research and development overheads across a broader base. They also have a better chance of cross-selling to the defence ministries of countries whose state airlines are already their customers. Airbus's recent restructuring was in part aimed at achieving this. Civil aerospace is booming, giving such firms strong financial firepower. Potential buyers of their military gear will feel reassured that these companies will still be around in a decade or two, when it needs updating.

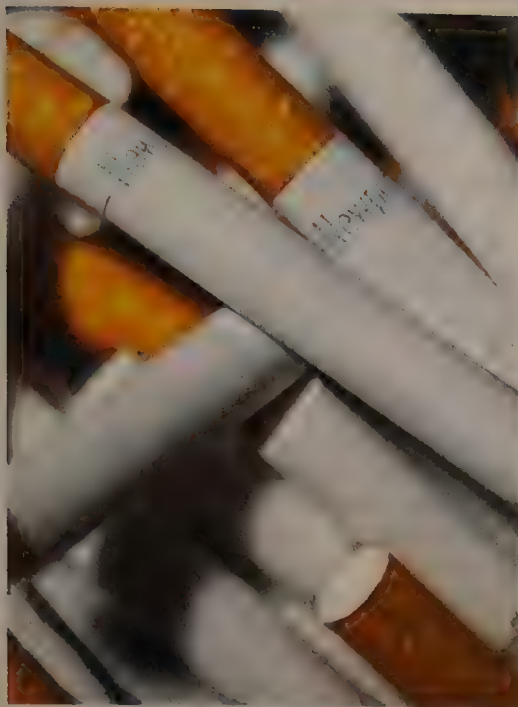
Companies that mostly make military products may find life is harder. The turn in the spending cycle may encourage them to dream that vast, money-spinning programmes like the F-35 will return, and the good times will roll again. But the evidence is that an often unreliable, inefficient and over-rewarded industry is at last being forced to change its ways to survive. ■

Big guns

Companies with highest arms sales, 2012, \$bn



Source: SIPRI



Tobacco

An irresistible urge to merge

A big American deal has global implications

IN 1911 the United States Supreme Court ruled that the American Tobacco Company was “an attempt to monopolise” trade and ordered its break-up. Now two of the four companies that came out of the dismantled monopoly are recombining. On July 15th Reynolds American, the country’s second-largest cigarette-maker, said it would pay \$27.4 billion in cash and shares to take over Lorillard, the third-biggest. The merger shakes up the world’s third-largest market by volume (behind China and Russia) and will have reverberations overseas.

The biggest question is whether today’s trustbusters will let it happen. One might expect them to be indifferent. Why should they worry if oligopolistic tobacco giants raise prices, discouraging smokers from indulging in a habit that might kill them? In fact the Federal Trade Commission (FTC) regards nicotine addicts as an especially vulnerable group of consumers. That will make it more difficult to get the merger through, says David Balto, an antitrust lawyer who worked at the FTC.

That explains the presence of a third party to the merger. Imperial Tobacco of Britain will buy a clutch of brands from the merging couple, including Winston, a struggling “premium” cigarette that competes with Marlboro, the market leader, and Blu, the best-selling American e-cigarette. The deal will turn Imperial, now a marginal presence in America, into a credible number three, with a market share of about 10%. With Lorillard, Reynolds will be

a stronger challenger to Altria, Marlboro’s maker. The merger is “pro-competitive”, insists Murray Kessler, Lorillard’s boss.

Perhaps, but Lorillard was a feisty competitor, forcing its bigger rivals to restrain price increases. Mr Balto wonders whether Imperial will fill that role. That does not seem to be the ambition of its chief executive, Alison Cooper. Part of America’s appeal is that cigarettes are relatively cheap there, she says. That leaves “plenty of opportunity for price-led profit growth”.

For Reynolds and Lorillard, the merger is a way to continue delivering rising profits to shareholders in a market where consumption is dropping by 3% a year. The main prize for Reynolds is Newport, a menthol-flavoured cigarette popular with black and Hispanic smokers, and one of the few whose sales volume is growing. Reynolds’s sales force will now pack America’s second-biggest brand alongside Camel and Pall Mall in their sample cases. That will make it more efficient to distribute to America’s innumerable tobacco-nists and will boost sales in the West, where Newport is relatively weak. Ambitiously, the merged company also hopes to save \$800m a year by combining some operations and selling others to Imperial.

It may be a first step towards ending America’s relative isolation from the global tobacco market. Foreign companies kept their distance (and Altria spun off Philip Morris International in 2008) in part because no one knew how much American courts would make tobacco firms pay to people who got sick from using their products. Those costs now look more predictable, making it safer for firms like Imperial—which is acquiring only brands, not liability-bearing legal entities—to come back into the market.

British American Tobacco, Reynolds’s biggest shareholder, will pay \$4.7 billion to maintain its 42% share. There is speculation that it will eventually buy the whole company. In the meantime the duo will collaborate on what some see as the future of smoking: less-dangerous e-cigarettes and cigarettes that heat tobacco rather than burn it. They might also market conventional brands like Newport overseas, suggests Shane MacGuill of Euromonitor International, a market-research firm.

The main holdout against tobacco globalisation is now China, which accounts for about 40% of the cigarettes smoked, almost all of them sold by state-owned China Tobacco. Erik Bloomquist, an analyst at Berenberg, a bank, thinks the Chinese giant could someday acquire one of the big international firms. A deal like that would probably be the last gasp in the round of tobacco consolidation. ■

Correction: in our piece on Philips last week (“Lights out”), we failed to mention that it has reached agreement to sell its remaining home-entertainment business to Gibson of America. Sorry.

Drugmakers

A new home for orphans

NEW YORK

Shire’s focus on rare-disease treatments may prove a long-term advantage

IT HAS been a hectic year for drug companies. They did deals worth \$230 billion in the first half of 2014, according to Dealogic, a research firm, up 65% from the same period last year. Another giant merger is in the offing: on July 14th Shire, headquartered in Ireland, said its board was looking favourably on a \$54 billion bid from AbbVie, an American firm.

The surge of drug mergers is notable for two reasons. The first is the popularity of “tax inversions”. Buying Shire would let AbbVie be domiciled abroad—in this case it has chosen Britain, slashing its tax rate by almost half. This week America’s treasury secretary, Jack Lew, urged Congress to pass a law ending this “abuse of our tax system”. The second is the sheer scale of the industry’s deal-making—the first half of 2014 was the busiest since Dealogic began keeping track in 1995.

But the mergers are just part of the drug industry’s efforts to remake itself. Many of its most profitable treatments have fallen off the “patent cliff”, losing their intellectual-property protection. Their costly research labs have produced too few new blockbusters. Health insurers and governments have become reluctant to pay a premium for new medicines that are only marginally better than old ones.

So, besides cutting their costs, companies have sought to acquire new drugs through mergers and partnerships. Many firms, Shire in particular, have also redirected their attention from looking to treat ailments that have millions of sufferers—such as a pill to lower cholesterol levels—to seeking new drugs for rare, severe conditions. Insurers and governments are usually willing to pay more for these “orphan drugs”, since they treat small numbers of patients in dire need of care.

Orphan drugs are also cheaper to bring to market. Since the patient populations are smaller, regulators let the drugs firms make their clinical trials smaller too; they also offer faster approval. Of the 36 new drugs launched in America last year, 17 were orphan drugs.

When Flemming Ornskov became Shire’s boss, in April 2013, the company’s research programmes were too broad, with high administrative costs. Shire has a big business selling pills for attention-deficit hyperactivity disorder, but this seemed not to offer strong growth prospects. Insurers and governments were continually cheese-paring drug prices. In an interview ►►

► one year after he joined Shire, Dr Ornskov argued that the best defence against price pressure was one of two things: "Either become more efficient or more innovative." He has tried to do both, by putting orphan drugs at the centre of the firm's strategy.

The company's research spending in the first quarter of this year was 13% lower than it had been in 2013; and almost all of its remaining early research is now concentrated on orphan diseases. Dr Ornskov has also sought new orphan drugs through dealmaking. Shire's \$4.2 billion purchase of ViroPharma, for example, has brought it a drug to treat hereditary angioedema, a rare genetic disease that brings on sudden, dangerous swelling.

Not only may Shire have found a new route to short-term growth; its focus on treatments for small patient populations may make it—and thus AbbVie, if it ends up owning Shire—more profitable in the lon-

ger term, as the treatment of all diseases, not just obscure hereditary ones, becomes more specialised. Thanks to genome sequencing, scientists can now identify subgroups of sufferers of a particular ailment, who share particular mutations, and seek drugs that treat them accordingly. "All diseases are turning into rare diseases," Dr Ornskov has argued. However, it is unclear how willing health insurers and governments will be to keep paying high prices for such drugs as they take a larger share of the market.

So Dr Ornskov's bet on orphan drugs, and the deals and research cuts he has made to pursue it, are risky. Shire's strategy "looks OK for now," says Ronny Gal of Sanford C. Bernstein, a research firm, but "time will tell whether he created value or destroyed value." Then again, as other drugs giants continue their frenzy of dealmaking, the same could be said of them. ■

information orifices still have plenty of say. John Delaney of IDC, a research firm, says that the proportion of European companies saying they do not intend to let staff use their own devices has stabilised at around 40%. At the same time, some IT departments that have clung to BlackBerry—still the "gold standard" in security and device management, says Mr Delaney—are seeking alternatives.

Breaking Windows

One firm likely to be discomfited by the alliance of Apple and IBM is Microsoft (which was expected to announce big job cuts as we went to press). Its software is almost ubiquitous on corporate desktops, but it has been slow to adapt to a world of mobile workers. Its boss, Satya Nadella, is determined to fix this and said so in a long memo to staff on July 10th. Its mobile operating-system, Windows Phone, is a distant third behind Android and Apple's iOS. A recent upgrade to Windows Phone introduced features that should make it more attractive to companies than older versions were, says Mr Delaney, but the deal between Apple and IBM will be a blow.

Google and Samsung of South Korea, the biggest maker of Android smartphones, which has been pushing into the enterprise market, will also have to get a move on. To overcome worries about Android's security, Samsung has built a system called Knox into its devices. Last month Google said that it would embed the software elements of Knox in the next version of Android, which should help the operating system as a whole.

Thanks to the sheer popularity of its devices, Apple was probably better positioned than either Microsoft or Google and its allies already. But IBM's distribution network and prowess in areas such as big-data analytics will give it an extra edge. The deal will allow Apple to focus mostly on making gadgets with consumer appeal, while ensuring corporate sales are not neglected. This matters now that businesses and governments spend \$11 billion a year on iPads alone—about a third of Apple's tablet sales, estimates Forrester Research.

An alliance with a strong consumer brand helps IBM, which has reported year-on-year declines in revenue for the past eight quarters. It also means that IBM's rivals in supplying complex IT packages to big companies, such as Hewlett-Packard and Fujitsu, have some thinking to do. How much thinking may depend on how tight the relationship between Apple and IBM (where Mr Cook began his career) eventually becomes. Big Blue's rivals may have to pursue similar deals—if not with Apple, then with Microsoft, Google or even BlackBerry. The scramble for corporate tech dollars has entered a new phase. Apple and IBM have given themselves a good chance of emerging on top. ■

Corporate computing

Big Blue Apple

SAN FRANCISCO

A novel alliance may reshape mobile computing for companies

WHEN he was the boss of Apple, Steve Jobs made little secret of his contempt for selling to big businesses. Once he even referred to their CIOs as chief information "orifices", through which all orders must pass. Jobs felt that the best way for Apple to prosper was to focus on the consumer. But his successor, Tim Cook, has struck a much friendlier tone about corporate buyers, regularly boasting that Apple's products are now used by almost all of the world's largest companies.

They could soon be in use at many more firms. On July 15th Mr Cook and Virginia Rometty, the boss of IBM, said their companies were working together to develop more than 100 business-specific mobile applications for Apple's iPhones and its iPad tablet computers. IBM's employees will also serve as a sales force for Apple's gear inside firms and provide on-site service for its devices.

The deal does more than bring together two companies that were once bitter foes: in the 1980s Apple's advertising for its Mac personal computers portrayed Big Blue as an evil Big Brother figure. It also underlines the way in which devices developed for consumers have caught on in the corporate world. And the alliance piles pressure on other technology companies, from Apple's rivals in devices and mobile operating-systems to IBM's competitors in supplying software and services to businesses.

The rise of smartphones and tablets—



Wish they'd hurry up and invent the iPad

and people's desire to have one device for both business and personal use—has created a new market for corporate gadgetry and apps. Lots of companies have their eye on it, but none has conquered it. BlackBerry, a Canadian firm once synonymous with the corporate smartphone, has been swept aside by the demand for devices made by Apple or powered by Google's Android operating system.

Despite the trend for people to bring their own devices to work, those corporate

Shell, Exxon and carbon

The elephant in the atmosphere

Managers at the biggest oil firms clash with investors over climate change

IN SEPTEMBER 2013 a group of institutional investors with \$3 trillion of assets under management asked the 45 biggest quoted oil firms how climate change might affect their business and, in particular, whether any of their oil reserves might become “stranded assets”—unusable if laws to curb emissions of carbon dioxide became really tight. Exxon Mobil and Shell are the most recent to get back with their assessment of the risk: zero. “We do not believe that any of our proven reserves will become ‘stranded,’” says Shell. In many areas of commerce, investors and managers are trying to harness the power of markets for environmental purposes. In oil and gas—the business which causes by far the most carbon emissions—investors and managers seem set on a collision course.

The oil giants make three arguments. First, over the next 40 years, the growth in population and national incomes will boost energy demand, especially in developing countries. Exxon reckons fossil fuels will account for three-quarters of demand in 2040 and renewables (such as solar and windpower) only 5%. Shell puts the fossil-fuel share at two-thirds. This will keep oil prices high.

Second, the companies dismiss the idea that governments will do anything to change this. Shell says: “We do not see governments taking the steps now that are consistent with the 2°C scenario,” that is, constraining carbon emissions so as to limit the rise in global surface temperatures to 2°C above pre-industrial levels. Such steps would mean cutting emissions of climate-altering gases by 80% by 2050; and the prospect of that, says Exxon, lies outside “the reasonably-likely-to-occur range of planning assumptions”. Jeremy Leggett of the Carbon Tracker Initiative, a group advising the investors, thinks oil firms are betting that affordable energy will trump climate change as a policy concern.

Third, Shell makes a narrower claim: since what it calls “proved reserves life” (proven reserves divided by the rate of production) is only 11.5 years, its current worth will be unaffected by regulatory limits in 20 or 30 years’ time. Although an oil project may run for decades, the payback period, the company says, is concentrated in its early years, so it will have paid its way long before tough laws come in (which of course Shell thinks will not happen).

So are investors happy that—assuming the firms are right—their shareholdings

The film industry

Rated “P” for persistent

SAN FRANCISCO

Time Warner’s boss may not find Rupert Murdoch’s overtures so unwelcome

RUPERT MURDOCH is a man who does not mind walking in his own footsteps. In the 1980s he tried and failed to gain control of the parent company of the Warner Bros. film studio. This week it emerged that Mr Murdoch’s 21st Century Fox had made an \$80 billion bid for the company’s modern incarnation, Time Warner, which also owns cable networks such as CNN and HBO. He was rebuffed, but when has that stopped him?

Such a deal is simpler now than it would have been until recently. Last year Mr Murdoch split Fox from its former parent, News Corp, and earlier this month Time Inc, Time Warner’s magazine arm, became a separate, publicly traded firm. A merged Fox and Time Warner would have more bargaining-power with its customers, from pay-TV operators like Comcast to online dis-

tributors such as Netflix.

However, a deal would put immense programming power in the hands of one company. Since Fox already has a cable-news network, CNN would reportedly be sold to make the deal more palatable. Even so, regulators still might not find the proposal “fair and balanced” (as Fox’s slogan has it).

If a marriage does occur, it will not necessarily be with Fox. Jeff Bewkes, the boss of Time Warner, may be playing hard to get while waiting to see if other suitors emerge. The head of a rival media firm muses that Mr Bewkes, who is 62, has been cutting off the undesirable parts of his apple, and has deliberately kept the most alluring bits with the hope of being able to sell it and retire. As for Mr Murdoch, who is 83, he may yet get one of the apples of his eye—after 30 years of trying.

will make oodles of money whatever happens to the climate? Of course not. Carbon Tracker has written to Shell taking issue with practically all its arguments. It says the proportion of the world’s emissions subject to some form of legislation has risen from half to over two-thirds since 2007 (though Australia has just scrapped its carbon-trading system); so governments are not as supine as the firm thinks. Moreover, environmentally friendly policies and economic growth are not mutually exclusive: most governments want both, and the companies may well be wrong to assume they will sacrifice the first to get the second.



Keep on drilling

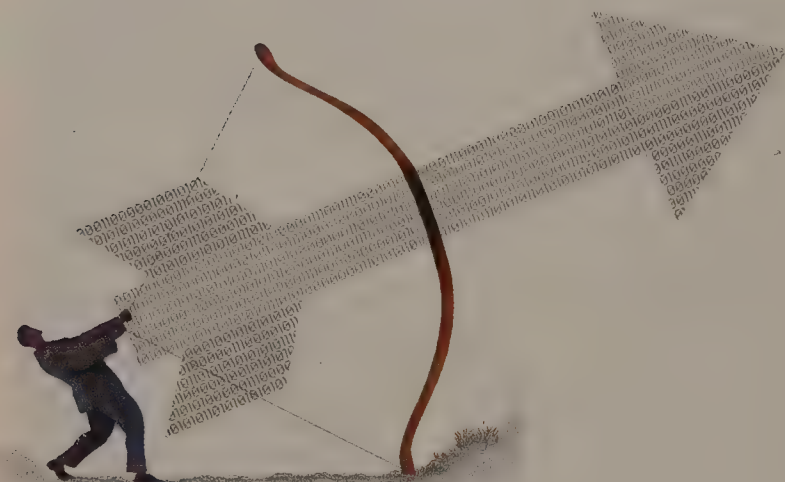
Carbon Tracker also thinks Shell is becoming too dependent on high prices, pointing out that, on the company’s own figures, the proportion of its potential output coming from projects with a breakeven point of \$80 a barrel (at current prices) will double between now and 2025. This would make the firm vulnerable to a carbon price which would switch demand away from oil to low-carbon energy.

The advisory group criticises all the oil firms for doing too little to diversify their risks. It says they are planning \$490 billion of capital investment a year—over twice what they pay in dividends—on reserves that will require an \$80 oil price to be economic. True, the firms are also selling more gas—a diversification of sorts. But overall, the group implies, energy firms are making a double-or-quits bet on expensive oil.

The oil firms are almost certainly correct that governments will not do enough to keep the rise in global temperatures below 2°C. This is still official policy almost everywhere, though it is only a matter of time before someone breaks ranks and says it cannot be achieved. But the investors may be correct that managers are betting their firms on high oil prices, that this is a gamble and that applying a discount to the value of their investments may make sense. Of course, if the oil bosses are right, especially if the climate does not warm as much as scientists fear, then investors will want to put their money into productive oil assets. But if Carbon Tracker is right, then they will dump oil shares—which is what should happen if the firms are making a huge gamble that will misfire. ■

Schumpeter | Little things that mean a lot

Businesses should aim for lots of small wins from “big data”, that add up to something big



JUDGING from the condemnation, Facebook just “friended” Satan. The company has been pilloried for academic research it published, showing that by adjusting its users’ news feeds so that a greater proportion of positive or negative items appeared, it could nudge people to post slightly sunnier or gloomier items themselves. For sociologists, the study provided evidence of “social contagion”—the spread of ideas and moods through imitation and conformity—without face-to-face contact.

That Facebook runs similar tests all the time for commercial reasons—to get users to linger longer, or to click on ads—was largely lost on the critics. And the most telling bit went unnoticed: the difference in posting behaviour was between 0.04% and 0.1%. It sounds paltry, and is. But to Facebook’s data scientists, it amounted to a smashing victory. “Given the massive scale,” they noted, “even small effects can have large aggregated consequences.”

This may indeed be the unspoken secret of big data. The much-hyped term captures the idea that it has become possible to collect vastly more data than before, and to process it far more cheaply and quickly. The result, typically, is to identify the right combination of tweaks capable of bringing about marginal changes that, when multiplied by a huge number of instances, or allowed to work over a long time, produce a significant effect.

“It is about building a mountain with pebbles,” says Jim Manzi, the boss of Applied Predictive Technologies, which sells data-crunching software. Internet firms like Google and Amazon have built their entire businesses on the back of repeated incremental gains. For example, Google’s search algorithm is designed to learn from users: if slightly more people click on the ninth link of a given set of search results than one higher up, then the algorithm learns from this, and moves the lower item upwards. Amazon’s boss, Jeff Bezos, insists that all decisions in his company are based on statistical analyses. Every pixel on the company’s home page has had to justify its existence through repeated testing of alternative layouts, to identify the combination that maximises sales. Each individual change may make the product only a tiny bit better. But the cumulative effect over time can be big.

This sort of constant experimentation and rapid implementation has long been relatively easy for internet firms. But the expense of data collection and processing had forced offline busi-

nesses to stick to measuring just the big stuff, and thus only to value big wins rather than examining the fine grains of their activities for small but useful improvements. Companies might easily have missed out on changes that, spread across a large customer base, would reliably produce a gain in output of just 1% or so. Now they can make such changes, and even if the aggregate improvement is only of this modest order, it can over time help them to advance steadily on their rivals. It is a bit like evolution: just a tiny mutation in physiology that makes a creature marginally quicker in escaping predators can, over many generations, mean that it outlives those which lack it.

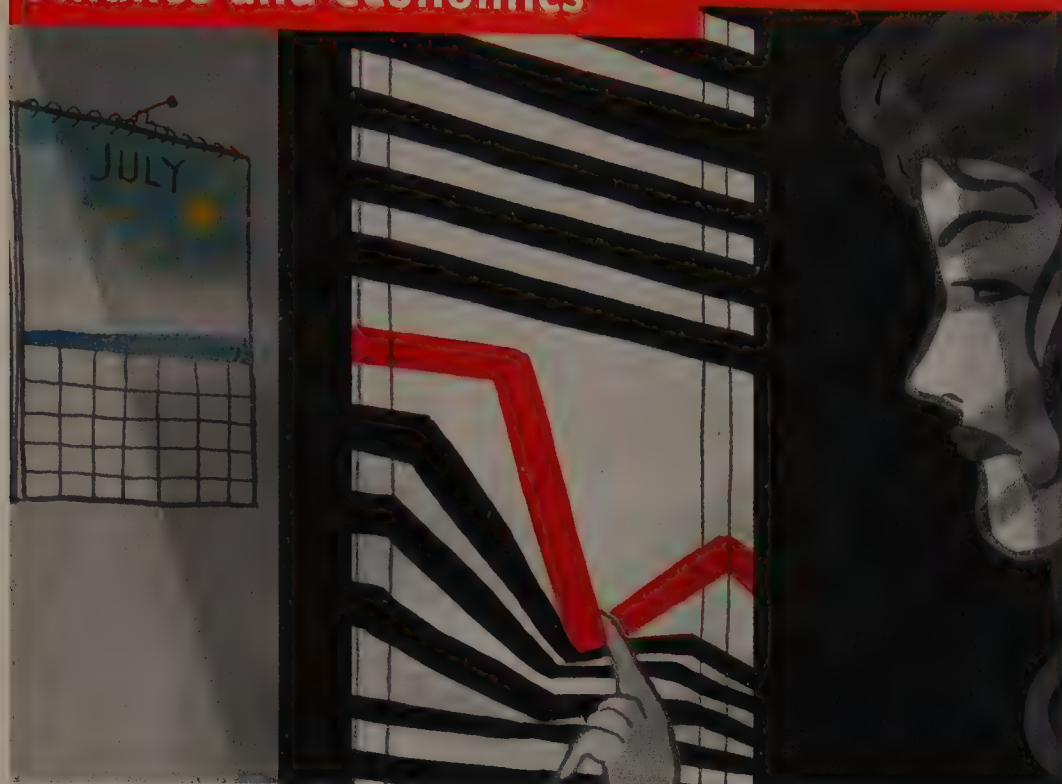
Take, for instance, UPS’s 60,000 delivery vans in America: the company crunches the data on the 100 miles or so a day that each one covers, and uses its findings to perfect the software in the navigation devices installed on board the vehicles: it reckons that cutting each route by just one mile would save it \$50m in fuel and other costs a year. Big Lots, a large American discount retailer, tried out numerous variations on its in-store financing offer, to identify the most profitable one to roll out. It altered such things as the size of the downpayments and the repayment schedules, and tried a variety of ways of marketing the scheme. Juggling all the permutations of these, it says, produced a combination that increased furniture sales by 9%.

The approach can even be used to tell businesses how better to organise their employees. QuantumBlack, a data-analysis firm, says a client, an engineering multinational, measured how the output of its teams of workers varied as a result of dozens of differences in their composition. It found a small step-change in productivity when the teams had more than seven members, whereas efficiency fell steadily with each additional time-zone in which team members were based. How well the members already knew each other turned out to be especially important, yet the managers doing the scheduling had not thought of this. Most individual improvements were in the range of 0.5% to 1%, says Simon Williams of QuantumBlack, but together they added up to a 22% rise in the teams’ overall productivity.

Sweating the small stuff

Big-data techniques are making businesspeople question the management theories they have long relied on. They have been accustomed to apply the “80-20 rule”, an assumption that of all the things they could change, to make their organisation perform better, just a handful of them (the “20%”) would achieve almost all (“80%”) of the possible improvement. Now it has become far easier to do endless trial-and-error testing of small things in order to squeeze out the remaining 20% of improvement. Companies used to doing things the old way may find it hard to recognise that it is worth investing in all this testing and data analysis—it is cheaper than it was, but still costs money—and to accept that there will henceforth have to be more experiments that “fail” on the road to success.

Stimulated by all the talk from consultants and sellers of data-crunching software about the transformative potential of big data, managers may have been misled into hoping it will give them massive, instant, Holy Grail solutions. But such discoveries are rare; and if they do exist, they have probably been made already. The reality is that big data produces lots of small advances—and that is good enough. ■



The euro-zone economy

Losing the plot

LISBON

Weak growth and nasty surprises are still the hallmarks of the single-currency club

AS IN a complex film script, at least two storylines have been in play for the euro zone this year. One is brightly lit, featuring the revival of both consumer and business confidence, the return of investors to the troubled economies in peripheral Europe and the continuing recovery from the double-dip recession. The other is sombre, focusing on the weakness of that upturn, the onset of disturbingly low inflation and the continuing fragility of over-indebted economies and their banks. The past few days have brought a reminder that this second story is not yet fully told.

A crisis at Banco Espírito Santo (BES), one of Portugal's biggest banks, prompted a plunge in Portugal's stockmarket and lesser tumbles elsewhere. Angela Merkel, Germany's chancellor, said that the episode illustrated how swiftly market nerves could return and how fragile the construction of the euro remained.

Renewed worries about banks have coincided with some gloomy economic numbers. Industrial production fell by 1.1% in May compared with April, leaving it up only 0.5% over the past year (see chart). The decline may have been exaggerated by temporary factors, such as workers taking additional time off after public holidays, but industrial output is still 13% lower than at its peak in April 2008, before the financial crisis. Business surveys have also been signalling a cooling in the euro zone since

April. Investors' confidence in the German economy, Europe's powerhouse, is waning, according to the ZEW index.

Industrial production makes up only a fifth of the euro-zone economy. But its poor performance in May makes it likelier that the overall recovery, which started in the spring of 2013, remained feeble in the second quarter. To date, GDP growth has averaged only 0.2% a quarter (an annualised rate of 0.9%).

Another worry about the recovery is that it has been so uneven. What little growth there was in the first quarter was driven by German output, which expanded sharply. The French economy, the second-biggest in the euro area, stagnated while Italy's, the third-biggest, contracted.

Unemployment is still disturbingly high in much of the euro zone. Though the overall jobless rate has fallen since its peak last year it remained at 11.6% of the labour force in May. That average disguises the fact that in Germany the rate was 5.1% compared with 12.6% in Italy and 25.1% in Spain.

Against this background, it is unsurprising that inflation is stuck at just 0.5%. Although the European Central Bank (ECB) took steps to counter "lowflation" in early June, the worry is that it has still not done enough. In a survey of the euro-zone economy published on July 14th the IMF urged the ECB to adopt quantitative easing—creating money to buy assets including sover-

Also in this section

62 The trouble with the BRICS bank

62 Economics and ethics

63 Buttonwood: Asset allocation

64 Egypt's struggling economy

64 Signs of life at Citigroup

66 Free exchange: Infrastructure and development

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eign bonds—if inflation remains too low.

Lowflation represents a particular threat to highly indebted countries like Portugal. The Portuguese example had been one of the brightest exhibits in the sunny storyline as yields on government debt plummeted and the country emerged from its bail-out in May. But this month brought shadows. The setback to industry was gravest in Portugal, where production fell by 3.6% compared with April, leaving it only 0.3% higher than a year earlier. Moreover, GDP contracted in the first quarter of 2014 after staging a recovery during 2013.

However, it is alarm about the viability of BES that really rattled the equity markets, in Portugal and beyond. The problem seems to lie in the complex ladder of holding companies above the bank. In June BES disclosed accounting irregularities and an "extremely negative" financial situation at one of these companies, which revealed this month that it had missed payments on some of its debt.

The central bank insists that BES, which was the only big bank in Portugal not to have been bailed out during the euro crisis, ►

Limping along

Euro area



► has enough capital to withstand its parents' problems. It has forced the bank's founding family to make way for new managers with no connections to the family or the bank's previous board. After losing two-thirds of their value in a month, BES's shares recovered slightly this week.

Yet the problems at BES underscore the significance of the ECB's root-and-branch investigation of bank balance-sheets. Worries about what may be lurking on them have contributed to the credit drought that has enfeebled the economies of southern Europe. Suspicion that banks lack sufficient capital to absorb souring debts remains widespread. The ECB must allay it when it publishes its findings this autumn if the sunny storyline is to prevail over the film noir. ■

The BRICS bank

An acronym with capital

SÃO PAULO

Setting up rivals to the IMF and World Bank is easier than running them

FOR years the BRICS countries have insisted they are more than an acronym. To dispel any lingering doubts, the leaders of Brazil, Russia, India, China and South Africa, who gathered in the Brazilian city of Fortaleza for their sixth annual summit on July 15th, announced the creation of two financial institutions: the New Development Bank (NDB) to finance infrastructure and "sustainable development" projects, with \$50 billion in capital to start with, and the \$100 billion Contingent Reserve Arrangement (CRA), to tide over members in financial difficulties.

On the surface, the NDB and the CRA, which must still be approved by the five countries' parliaments, look like upstart rivals to the World Bank and the IMF, together the cornerstone of the post-war economic order. The BRICS complain that the Bretton Woods outfits, named after a New Hampshire town where they were conceived 70 years ago this month, give the developing world short shrift. China, whose economy is second only to America's, has fewer votes there than the Benelux countries. America and Europe have proved shamefully slow to redress the imbalance.

Recipients of IMF cash also resent the tough reforms on which help is conditional, not to mention the lecturing tone in which they are dictated. In Fortaleza Vladimir Putin, Russia's president, extolled the NDB and CRA as a way to prevent the "harassment" of countries whose foreign policy clashes with America's or Europe's (as did his annexation of Crimea).

The new institutions are not as subver-

Economics and ethics

Lying commies

The more people are exposed to socialism, the worse they behave

"UNDER capitalism", ran the old Soviet-era joke, "man exploits man. Under communism it is just the opposite." In fact new research suggests that the Soviet system inspired not just sarcasm but cheating too: in East Germany, at least, communism appears to have inculcated moral laxity.*

Lars Hornuf of the University of Munich and Dan Ariely, Ximena García-Rada and Heather Mann of Duke University ran an experiment last year to test Germans' willingness to lie for personal gain. Some 250 Berliners were randomly selected to take part in a game where they could win up to €6 (\$8).

The game was simple enough. Each participant was asked to throw a die 40 times and record each roll on a piece of paper. A higher overall tally earned a bigger payoff. Before each roll, players had to commit themselves to write down the number that was on either the top or the bottom side of the die. However, they did not have to tell anyone which side they had chosen, which made it easy to cheat by rolling the die first and then pretending that they had selected the side with the highest number. If they picked the top and then rolled a two, for example, they would have an incentive to claim—falsely—that they had chosen the

bottom, which would be a five.

Honest participants would be expected to roll ones, twos and threes as often as fours, fives and sixes. But that did not happen: the sheets handed in had a suspiciously large share of high numbers, suggesting many players had cheated.

After finishing the game, the players had to fill in a form that asked their age and the part of Germany where they had lived in different decades. The authors found that, on average, those who had East German roots cheated twice as much as those who had grown up in West Germany under capitalism. They also looked at how much time people had spent in East Germany before the fall of the Berlin Wall. The longer the participants had been exposed to socialism, the greater the likelihood that they would claim improbable numbers of high rolls.

The study reveals nothing about the nature of the link between socialism and dishonesty. It might be a function of the relative poverty of East Germans, for example. All the same, when it comes to ethics, a capitalist upbringing appears to trump a socialist one.

* "The (true) legacy of two really existing economic systems", University of Munich Discussion Paper in Economics No. 2014-26. June 2014.



My other car is a Porsche

sive as they may seem, however, at least in their current guise. Unlike the IMF, the CRA is not a fund but a tangle of bilateral promises to make foreign reserves (\$41 billion from China, \$5 billion from South Africa and \$18 billion each from the others) available to BRICS in trouble. Every country will be able to tap a multiple of its contribution. But, Mr Putin's bluster notwithstanding, anything above 30% of that sum will be, as the instrument's name implies, contingent—including on participation in

an IMF programme.

The NDB, for its part, joins an alphabet soup of regional and national development banks the lending of which already dwarfs the \$52.6 billion the World Bank disbursed last year. In 2013 BNDES of Brazil doled out \$88 billion. Its Chinese equivalent made loans worth \$240 billion. China is also creating an Asian infrastructure bank (which it has invited India to join but, for reasons of geography, not the others).

Even when the NDB's capital eventual- ►►

ly rises to \$100 billion, including from non-BRICS states and institutions, it would leave most of the developing world's infrastructure needs unmet. The World Bank estimates that South Asia alone requires \$2.5 trillion over the next ten years. China was willing to chip in more. But India and Brazil, happy to use the bank as a politically palatable way to tap Chinese cash but wary of its dominance as much as they are of the West's, insisted on an even split. South Africa could only afford \$10 billion.

The politics don't end there. A tussle between China and India over the bank's headquarters, and between India and Bra-

zil over who should hold the first five-year rotating presidency, nearly scuppered the deal. The BRICS leaders settled on Shanghai and an Indian, yet to be named. But a Brazilian is to chair the board of directors and a Russian the board of governors. They may not all pull in the same direction.

Herein lies the biggest obstacle to the upstarts of Fortaleza. Other than being big and developing (the reason why economists at Goldman Sachs, an investment bank, coined the term in 2001), the BRICS have little in common. The Chinese economy is 28 times the size of South Africa's (not part of Goldman's original grouping).

Income per person in India is one-tenth that in Russia. True, all lack infrastructure but lively democracies (Brazil, India, South Africa) go about erecting it differently to authoritarian regimes (Russia, China).

Such disparities will make it hard to agree on even basic principles, like whom (other than themselves) to lend money on what terms or what counts as "sustainable development", notes Douglas Rediker of International Capital Strategies, a consultancy. It took the Bretton Woods institutions decades to sort it all out, far from satisfactorily—and they are dominated by like-minded liberal democracies. ■

Buttonwood | No easy answers

The conundrum of asset allocation

NOBODY knows anything. William Goldman said that about the movie business but the same could be said for investment. History is replete with brilliant people who made calamitous mistakes.

Some of the finest minds on Wall Street and in academia were behind Long-Term Capital Management (LTCM), a hedge fund that collapsed in 1998, after following a strategy that believed the market was underpricing illiquid assets and overpricing liquid ones, using squillions of borrowed money. As Warren Buffett said at the time: "To make the money they didn't have and didn't need, they risked what they did have and did need."

Even the "self-evident truths" that are often spouted about investment—buy low, sell high; rebalance regularly; diversify your portfolio—are either overly simplistic or difficult to follow in practice, as a fascinating new book* by William Bernstein, an investment adviser (and neurologist), makes clear.

Take buying low and selling high. It sounds good. But it is tough to buy (or indeed, not to sell) when markets are plunging and all around are panicking. Wall Street bottomed in 1932 but the market had been falling since 1929; there were few investors left with the cash or the confidence to buy. Even professional fund managers find it hard to buy at the bottom. They lose clients when markets fall, so at the very moment when future returns are highest they have less money to put to work.

The answer, some say, is to rebalance the portfolio automatically as some investments appreciate and others lose value to maintain the original allocation. But that doesn't always work. Imagine that in 1990 you had a portfolio split 50/50 between American and Japanese equities. After each year, you rebalanced the port-

Hopes unfulfilled

China, \$ terms, Q3 1993=100



folio; by 2009 you would have earned an annual return of 3.64%. But had you not rebalanced, the annual return would have been 5.16%. That is because Japanese equities were trading on stratospheric valuations in early 1990 and subsequently suffered a 20-year bear market.

Starting valuations matter hugely for future returns. That is obvious for those buying, say, German bonds on a current yield of 1.2%. But equities are trickier. In retrospect, buying stocks when the cyclically adjusted price-earnings ratio was high, or the dividend yield was low, results in low long-term returns. But investors do not know what the future range of such valuations will be. An experiment by Elroy Dimson, Paul Marsh and Mike Staunton of the London Business School found that following such a strategy using historical dividend yields would have been worse than simply buying and holding equities.

To get round these problems, investors have been urged to diversify. The fad for the past 50 years has been portfolio optimisation: choosing assets based on their expected return, their volatility and their correlation with other assets. The problem

is that these factors are not set in stone; indeed, the very pursuit of optimisation can alter the fundamentals.

Take commodities, which used to offer a "roll yield" to investors: the futures price tended to be below the spot (current) price, so buying the future and holding it delivered an automatic return. But so many investors piled into commodities that the roll yield disappeared. Emerging markets have been another big hope, based on their rapid growth. But that does not automatically translate into higher returns, as investors in China have discovered (see chart).

The best thing investors can do, Mr Bernstein suggests, is be realistic. The returns on capital have been falling for centuries, perhaps because people are less impatient (thus willing to accept a lower price for deferring consumption) or maybe because society has become less risky.

As well as low bond returns, future equity returns are likely to be lower than investors have become used to. The future return is equal to the current dividend yield, plus dividend growth, plus or minus any change in valuation. Historically, dividends have grown by 1.5% a year in real terms. Combine that with a dividend yield of 2.1% and you get an expected real return of 3.6%. But if the market returns to its historic average valuation, the return will fall to 2%.

Such returns are still worth pursuing, as long as investors remember the case of LTCM and do not get too greedy. As Mr Bernstein concludes: "The purpose of investing is not to simply optimise returns and make yourself rich. The purpose is not to die poor."

* "Rational Expectations: Asset Allocation for Investing Adults", self-published via Amazon

Egypt's economy

Pharaonic frailties

CAIRO

A new regime attempts to foster growth

IT WAS a rare example of Egypt doing something that pleased economists. On July 5th fuel prices rose as the government removed a portion of its generous subsidy. The price of a litre of the most commonly used petrol rose by 41% to 2.6 Egyptian pounds (\$0.36); the price of a cubic metre of compressed natural gas, used mainly by taxis, rose by 175% to 1.1 pounds. Despite the odd protest and much resentment among the poor, Abdel Fattah al-Sisi, Egypt's new president, appears to have pulled off a reform long urged by the IMF and long postponed by previous presidents.

Mr Sisi seems determined to fix Egypt's economy. It has struggled during the past three years of political turmoil (see chart), which turned off investors and caused tourism to collapse. Earlier this month he refused to sign the budget until the finance minister cut the planned deficit for the coming fiscal year from 12% to 10%. Whether the new sums add up is not clear, but already this year Egypt has introduced a tax on stockmarket gains and plans to bring in value-added and property taxes too.

This, plus an influx of money from Gulf countries keen on Egypt's new regime, has led to a cautious improvement in investor sentiment. Last month PepsiCo and Almarai, a Saudi food company, said they would invest \$345m in an Egyptian joint venture. Wealthy local businessmen have been sweet-talked or coerced into announcing that they too will be investing at home. One of them, Naguib Sawiris, has promised to spend \$1 billion, though on what is uncertain. With Mr Sisi likely to bring stability, albeit by squelching dissent, the economic picture looks rosier than it has since Hosni Mubarak's ousting in January 2011.

Yet such moves fall far short of the overhaul Egypt's economy needs. The country had decent growth rates from 2004 to 2011, but a lot of it was driven by "real estate rather than productive activity", says Muhammad al-Komi of the American University of Cairo. As well as political turbulence, he blames a large, inefficient bureaucracy and poor education for hobbling growth.

Egypt needs to spend more on education, health and research—a goal enshrined in the new constitution. But much of its budget is eaten up by subsidies, along with salaries for the sprawling bureaucracy and interest payments on its debt. The government has built up huge debts to the firms that produce Egypt's oil and gas. That, in



Look on my economy and despair

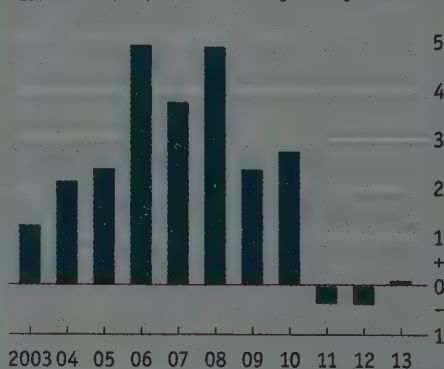
turn, has prompted the energy firms to cut investment and production, exacerbating the government's fiscal woes.

Egypt's private sector remains dominated by big conglomerates; thanks to a lack of access to capital and land, small companies struggle to grow. A recent World Bank study found that only 17% of Egyptian firms, and only 13% of smaller ones, had borrowed from formal financial institutions. These are hard things to fix, and Mr Sisi may be loth to upset his base in the civil service or risk more discontent at a time when he is already suppressing dissent.

Even more worryingly, the army has reclaimed its prominent role in the economy in recent months, leading a project to redevelop the Suez canal, for example. Mr Sisi's speeches suggest a belief in an economy guided by a benevolent, paternalistic state; there is little talk of an innovative and productive private sector. That is a shame, says Mr Komi. "Countries such as Turkey show it's possible to transform the economy," he says. "But I worry that rather than implement modern policies, Egypt's officials still live in the Pharaonic period." ■

Arab sting

Egypt's GDP per person, % change on a year earlier



Source: IMF

Citigroup

Paying up and moving on

NEW YORK

The perennial basket-case of American banking at last shows signs of life

THERE were many reasons why Citigroup's earnings for the second quarter, released on July 14th, might have elicited familiar groans. Revenues from its North American retail operations plunged by 26%, thanks in part to an abrupt drop in the refinancing of mortgages due to rising interest rates. Worse, the bank agreed to a \$7 billion settlement with prosecutors over its dealings in mortgage-backed securities before the financial crisis, twice what analysts had initially expected and 20 times what Citi had first offered. Yet in the wake of all this bad news, Citi's shares rose.

In part, that is because Citi's troubles are, for the most part, reassuringly typical of American banks. Wells Fargo, America's biggest bank by valuation, had previously announced its first decline in earnings per share since the financial crisis thanks largely to the refinancing drought. By the same token, Citi's income from trading bonds, currencies and derivatives fell no more dramatically than that of its rivals.

Even the settlement may have cheered investors. Although the accompanying statement of facts fingered the bank for giving misleading information about the quality of the mortgages that underpinned securities it sold, there was little to fuel private lawsuits seeking compensation. The most incriminating element was an e-mail from an unnamed trader saying, "I would not be surprised if half of these loans went down." No employees have been charged with any sort of fraud related to the sales. Moreover, a provision of the settlement protects Citi from prosecution on similar grounds for its sales from 2005 to 2007 of another sort of toxic financial instrument, collateralised debt obligations.

Attention is now shifting to Citi's future. Michael Corbat, its boss since 2012, has concentrated on cutting costs and selling unprofitable businesses. But there are also hints of growth: lending rose by 4%, thanks to strong demand from European and American companies. Profits from advising on mergers and underwriting stocks and bonds were up too—possibly a sign of bigger banking opportunities ahead.

Citi's market capitalisation remains far lower than its accounting value, suggesting concerns remain about hidden problems. But the disparity has begun to shrink, as has the premium it pays to borrow. As one fund manager puts it, the debate over Citi's prospects has shifted from whether it might die to how it might survive. ■

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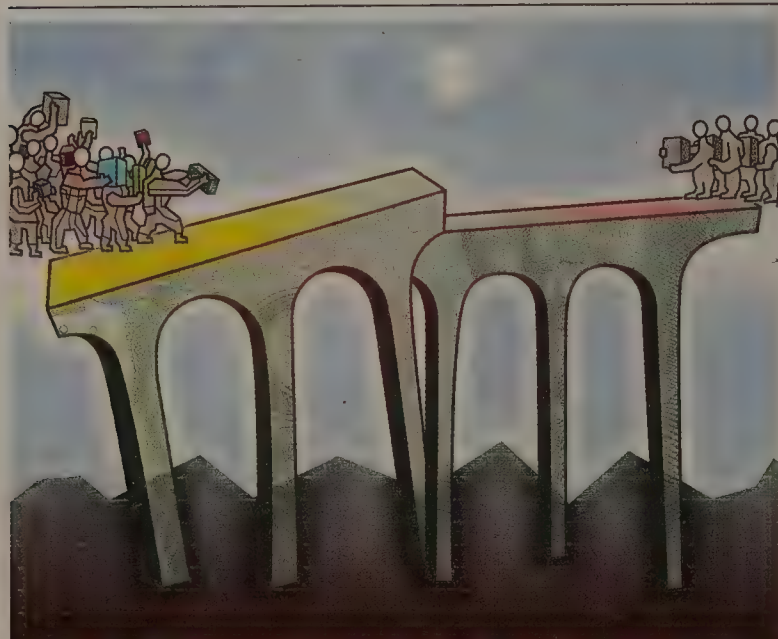
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Free exchange | Bridges to somewhere

The variable benefits of investing in infrastructure



SHANGHAI, which already boasts 14 subway lines, a high-speed maglev service, two huge modern airports, some 20 expressways and a bullet-train departure every three minutes, is about to add one more piece of infrastructure—the headquarters of the new BRICS development bank. China is setting up the bank together with the four other members of the BRICS club of big emerging markets: Brazil, Russia, India and South Africa.

Fittingly, the bank will focus on infrastructure lending to poorer countries. China is also pushing to establish another multilateral lender, the Asian Infrastructure Investment Bank, which, as its name suggests, will concentrate on the same thing. With these two new banks, China is exporting a central feature of its development model to the rest of the world. It spent 8.5% of its GDP investing in infrastructure from 1992 to 2011, according to the McKinsey Global Institute. That was more than any other country, and well above the developing-country norm of 2-4% of GDP.

Given China's growth—its economy expanded seven-fold during that time—the wisdom of investing in infrastructure seems self-evident. Research generally turns up a positive relationship between infrastructure investment and growth, especially in poorer countries. According to one broad survey of the literature by the World Bank, making Latin America's infrastructure as good as East Asia's would increase annual growth rates by as much as five percentage points in the countries with the worst roads and phones.

Yet it is difficult to isolate the precise effect on growth of any given project. Investment normally gives an immediate lift to GDP, whether it involves a bridge to nowhere or one to a crowded island. What matters is the long-run impact. Over time, infrastructure can gin up growth in two main ways. It can generate a rise in incomes if reduced transaction costs promote trade. And it can raise growth rates if it leads to greater information sharing and thus improved productivity. But these effects are hard to measure because infrastructure investment often coincides with economic growth, casting doubt on causality. Did the new roads boost growth or did faster growth increase demand for them?

China provides an ideal testing ground. Not only has the government thrown vast sums into construction, it has also directed the money at places where demand is not always apparent, mak-

ing it easier for economists to isolate the effects of the investment as an independent variable. A growing body of research looks at the impact of China's infrastructure binge.*

In a recent working paper, Yang Wang and Binzhen Wu of Tsinghua University look at the high-altitude railway connecting the province of Qinghai to Tibet. It is, they argue, as close to a natural experiment as possible. The region was one of China's poorest, meaning that prior growth did not prompt the investment. The route was determined by its technical feasibility, not the economy of the local area, making it akin to a randomised trial. The impact, they find, was vast: a 33% increase in GDP per person in counties that got the railway compared with those that did not. That equates to about 12 billion yuan (\$1.9 billion) extra GDP a year, exceeding its 33 billion yuan cost in just three years. The main channel for this rise in income was the new-found ability of local manufacturers to sell to a national market.

But returns on infrastructure, like any investment, can fall off steeply. In a working paper released last year, Michael Ward of the University of Texas at Arlington and Shilin Zheng of the Chinese Academy of Social Sciences study China's massive telecoms rollout of recent decades. Only 1% of the population had fixed-line phones in 1990; by 2006 that number had risen nearly 30-fold. In addition, by 2010 two-thirds of the population had acquired mobile phones. From 1990-99, the first decade of the telecoms boom, they calculate that phone services contributed two percentage points to China's growth rate, a huge dividend. From 2000-10, the contribution was down to half a percentage point.

If you build it, they will go

Moreover, the impact on different regions can be uneven. An assumption underpinning China's investment policy is that connecting the hinterland to transport should support its development. But the construction of an early phase of China's national trunk highway system—35,000km of highways, built from 1992 to 2007 at a cost of \$120 billion—suggests that is not always the case. In a new article, Benjamin Faber of the University of California, Berkeley, finds that GDP growth was reduced by about 18% over time in smaller counties that were connected to the highway system relative to ones that were not. Industrial output shrank when goods streamed in from more advanced areas, displacing local products. In other words, better infrastructure sometimes saps, rather than invigorates, poorer regions.

Finally, the design of infrastructure clearly matters. In a paper published last year, Nathaniel Baum-Snow of Brown University and four other researchers look at ring roads, much in vogue among Chinese planners. Using detailed maps and satellite images, they measure population dispersion from 1990 to 2010. Ring roads exercise a magnetic pull on businesses, causing about 20% of people to move to suburbs. Some decentralisation is welcome, creating more living space. But sprawl on such a scale threatens to undermine the clustering effect that makes big cities fertile ground for innovation.

None of this research undermines the view that infrastructure spending is good for long-term growth. But as China encourages the world to throw money at roads and airports, it is a salutary reminder that pouring concrete is just one part of development. ■

*Studies cited in this article can be found at www.economist.com/infrastructure14



RoboCup

Humans 1, Machines 7

When will robots do to football what computers did to chess?

MESSI v the Machine was how some commentators touted the World Cup final, inspired by the disciplined way the German team dismantled Brazil in the semi-finals. But despite such caricatures of Teutonic precision, German players are only human. So as the latest edition of RoboCup, a competition for robot soccer players rather than flesh-and-blood ones, kicks off on July 19th in João Pessoa, Brazil's easternmost city, a question that will be on many minds is: when will real machines conquer the sport?

When the first RoboCup was held, in 1997, those who launched it set a target of 2050 for engineers to produce a humanoid robot team that would rival the champions of the older competition. Judged by the plodding clumsiness of some of the RoboCup players, that goal might seem far-fetched. But it is easy to underestimate how quickly robotics is improving. Self-driving cars and delivery drones, which seemed hopelessly futuristic just a decade ago, are now topics of serious business interest.

By comparison with the corporate investments of the likes of Google in electric cars, the teams competing in this year's RoboCup—more than 150 of them—have shoestring budgets. But the tournament includes features that the organisers hope will accelerate innovation without the incentive of cash.

One is a clever combination of competition and co-operation. Leading up to the

playoffs, teams prepare new strategies and fine-tune their hardware and software in secret. Immediately after the finals have been played, however, all must publish their methods, thus raising the bar for everyone the following year. Another feature is that there are limits to how far teams can push their hardware, to encourage them to develop smart routes to victory, rather than using mere brute force.

A further twist is that RoboCup is not one competition but many. These range from a little league of miniature cylinders on wheels, like the "Star Wars" character R2-D2, in which each entire team is controlled by one computer using input from overhead cameras, to a fully limbed humanoid league, akin to R2-D2's faithful companion, C-3PO (see picture above). In the humanoid league, which is further divided into three sizes of robot—kid, teen and adult—each android has its own independent on-board sensors and artificial-intelligence software.

Moreover, for those who cannot be bothered to get out the spanners and the soldering iron, there is a virtual league as well. Competition there can focus on improving the software needed for the rapid planning of the best move at each step of the game, without having to worry about the vagaries of the hardware. And there is also a junior league for school-aged geeks, some of whom will no doubt join the RoboCup major leagues when they go to col-

Also in this section

68 A new fossil arthropod

68 The latest on Alzheimer's disease

69 How good are intelligence forecasts?

69 Detecting chemical weapons

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lege, their skills already finely honed.

To sense the state-of-the-art in robot football, you need to go behind the scenes. Last week, hidden in a windowless office, Joydeep Biswas of Carnegie Mellon University and his colleagues were making final adjustments to their team, which competes in the little league. While robots in the humanoid league are still lumbering and prone to error, the speed and accuracy of those in the little league are stunning. Their electromechanical kickers can fire the league's orange golf balls at eight metres per second (a well-aimed pass in regular football travels at about twice that speed). In fact, they could easily shoot harder if it were not for hardware-control regulations that set a maximum speed.

The state of play

Mr Biswas, a graduate student, works for Manuela Veloso. She helped found RoboCup and her group has won the most finals titles in the little league. In 2009 Dr Veloso and her colleagues decided to share with their competitors the vision software that had let their team win a streak of RoboCups. This helped establish the now-mandatory open-source approach that has rapidly raised the quality of the competition.

"In the past couple of years," Dr Veloso opines, "one of the big changes is that we are starting to analyse real football tactics and strategy, to devise our own." A paper her group published earlier this year lays out how their CMDragons team observed and exploited the defence tactics of opponents, luring them away from positions where they could prevent goals. This approach, dubbed "coerce and attack", has parallels in professional playbooks.

Other research groups are getting equally sophisticated, and teams from Australia, China, Iran and Thailand, among other countries, are regularly ►►

placed high in several leagues of the competition—in contrast to their national reputations on real pitches. In the early years of RoboCup, there were huge differences in quality between the teams. No longer. The best of the little league routinely finish their ten-minute-long games with the low scores characteristic of well-matched human teams. Indeed, Dr Veloso's squad came in second last year, after a penalty shoot-out following a 2-2 game.

Nor need only the players be robots. In a step that many of FIFA's critics may admire, Dr Veloso and her team are developing automated referees. That will not stop some teams from exploiting decidedly human traits, such as fouling by forcefully bumping into another robot. But it may result in more effective enforcement of things like the maximum kick-speed rule.

What fascinates Dr Veloso most about RoboCup is the execution, during the game, of moves that had not been deliberately inserted into the algorithms controlling the robots. She is ebullient about an unexpected three-way pass and chip, worthy of a minor Messi and his Argentine teammates. Such unanticipated plays are examples of emergent behaviour, a hallmark of artificial intelligence at its highest level, and something she reckons RoboCup teams in all leagues will produce a lot more of with each passing year.

So is 2050 an unrealistic deadline for robots to beat the best humans at football? Half a century is roughly the time that separates ENIAC, America's first electronic computer, from Deep Blue, the IBM machine that beat chess grandmaster Garry Kasparov in 1997. Judged in that light, RoboCup's goal does not seem absurd. Indeed, the question may be whether, come 2050, there are still any human football players around who have not been prosthetically enhanced in some way, making them cyborgs. RoboCup v RoboCop, anyone? ■

Alzheimer's disease

Recherche du temps perdu

Tests for Alzheimer's are improving.
Treatment is still some way off

DRUG companies have got good at treating bad hearts, livers and lungs. They are still lousy, though, at treating ailing minds. That is troubling. Last year, according to estimates announced on July 15th at the Alzheimer's Association's annual conference, in Copenhagen, more than 44m people were suffering from dementia. By 2050 that number is expected to triple.

Drug researchers continue to trudge forward, ever-hopeful of a breakthrough. But some of the most interesting work reported to the meeting concerned not drugs, but tests that screen for the disease—a contentious practice, given that no treatment yet exists. Less controversially, other researchers presented data on habits that seem to delay dementia's toll.

It used to be that physical evidence of Alzheimer's disease could be found in the brain only *post mortem*. This is changing. In the past two years American regulators have approved the use of chemicals which bind to beta-amyloid, a sticky protein implicated in the condition. Thanks to these tracers, scans can detect amyloid plaques in the brain of someone who is still alive. Other tests look for the offending proteins in cerebrospinal fluid, obtained from spinal taps. And Keith Johnson of Massachusetts General Hospital reported on scans that detect tangles of tau, another protein involved in the disease. In Dr Johnson's study, 56 participants who had tau in their entorhinal cortex and temporal neocortex (sections of the brain important to memo-

ry) had, over the previous three years, achieved progressively lower scores on a memory test.

Such tests, however, are expensive, so researchers are working to create cheaper, simpler ones—with some success. On July 8th Proteome Sciences, a British company, said it had found ten proteins in the blood that could predict Alzheimer's. New tests presented in Copenhagen provide further alternatives, searching for dementia in neither the brain nor the blood, but in the eye and the nose.

Shaun Frost of the Commonwealth Scientific and Industrial Research Organisation, in Australia, focused his research on beta-amyloid in the retina. He gave volunteers a supplement containing curcumin, a chemical that binds to beta-amyloid and acts as a fluorescent tag. Dr Frost's scanner detected the tagged beta-amyloid in the volunteers' retinas. This correlated closely with amyloid levels in their brains, as revealed by scanning. In a separate presentation, a firm called Cognoptix announced data for its own eye test, detecting amyloid in the eye's lens. And researchers from Harvard and Columbia universities showed that poor performance on simple smell tests is linked with failing memory.

These tests are promising, but will need more data to confirm their accuracy. A separate, important question is whether, if they do work, they should actually be deployed. Even a perfect test cannot prompt good treatment when no treatment exists. Nevertheless, Maria Carrillo of the Alzheimer's Association argues that better tests will speed the development of new medicines—patients at the earliest stages of disease might enroll in clinical trials to prevent dementia's progress. The most recent such endeavour, a collaboration between Novartis, a giant drugs firm, and the Banner Alzheimer's Institute, in Arizona, was announced on July 15th.

For now, the most promising data for delaying dementia stem not from drug trials but from studies of behaviour. Yonas Geda and his colleagues at the Mayo Clinic told the meeting of new evidence that exercise, especially in middle age, helps preserve the brain's function and lowers the risk of subsequently developing dementia. And a presentation by Miia Kivipelto of Finland's National Institute for Health and Welfare was particularly encouraging. More than 1,200 Finns, aged 60-77, took part in a randomised trial of specific interventions. These included treatment of cardiovascular problems, and physical and mental exercises. Compared, after two years, with a control group that received health care as usual, these people scored better on memory and cognitive tests.

Eventually, then, researchers may work out how to treat Alzheimer's with drugs. In the meantime, the best ways to ward off dementia seem decidedly low-tech. ■

Claws!

This fearsomely armed critter, called *Lyrarapax unguispinus*, terrorised the seabed in what is now south-west China some 515m years ago, during the Cambrian period. It belongs to an extinct group called the anomalocaridids, and has just been described in *Nature* by Cong Peiyun of Yunnan University, in Kunming, and his colleagues. The anomalocaridids were early arthropods. Other known species of the group seem to have swept prey into their mouths with two tentacle-like appendages. *Lyrarapax*, however, had claws (top right in the photo). This specimen—the front half of an animal that would have been about 5cm long when intact—and others like it from the Chengjiang biota are so well-preserved that their brains, eyes, muscles and primitive vascular systems can all be seen.



National security

Intelligent intelligence

Just how good are government analysts?

PREDICTION is difficult, as Niels Bohr once observed, especially about the future. But that has not stopped a huge industry that promises to do so from springing up. Commuters pore over newspaper columns; politicians spend fortunes on deciphering polling data; bosses sit in thrall to the pronouncements of coiffed young flip-chart merchants from management-consulting firms.

Governments are as keen as anyone to know the future, and one of the main jobs of intelligence agencies is to arm them with forecasts about how the world will look months or years from now. How good these are is an open question: spies often complain the public hears about their failures (to predict the September 11th attacks, for instance) but never of their successes.

In a paper in the *Proceedings of the National Academy of Sciences*, David Mandel, of Defence Research and Development Canada, and Alan Barnes, a former intelligence analyst for the same country, take a stab at an answer. They analysed more than 1,500 intelligence forecasts produced by a nameless (but presumably Canadian) agency, covering the period from March 2005 to December 2011.

Their results suggest that the old joke about "military intelligence" being an oxymoron is unfair. When they compared what the analysts had said with what actually came to pass, they found that the predictions were right about three-quarters of the time. Cynics might wonder if the analysts merely restricted themselves to easy cases, but Dr Mandel and Dr Barnes also found they were good at calibrating their judgments. Events they deemed unlikely did not happen often, whereas those they thought likely occurred frequently. Indeed, if anything they were underselling themselves, tending to err more than necessary on the side of uncertainty. And there was evidence that their skills could be learnt—for more-experienced analysts tended to do better than their junior counterparts.

The result is even more striking because of its contrast with a famous earlier finding. In 2005 Philip Tetlock, a management theorist at the University of Pennsylvania, announced the results of a 20-year study in which 284 experts—professors, journalists, civil servants and so forth—were invited to make more than 28,000 predictions. Their performance was abysmal: barely better than chance, and inferior even to simple computer algorithms.

Chemical weapons

Mustard plants, not mustard gas

A low-tech method of detecting nerve-gas attacks

OF ALL the nasty ways people have devised to harm each other, chemical weapons are among the worst. But even they have varying levels of unpleasantness. Mustard gas blisters the skin and lungs but is an inefficient way of killing. Nerve agents such as sarin, soman and vx are much more deadly. These can linger for days, and only tiny amounts are needed to cause uncontrollable muscle spasms. Death by suffocation follows swiftly as the victim's diaphragm stops working properly, and he cannot breathe.

In a world where the use of chemical weapons is supposed to be prohibited, finding out when and where they have been deployed is important. But that is

not as easy as it sounds. Though nerve agents hang around long enough to be formidable weapons, they degrade in the presence of moisture into chemicals called alkyl methylphosphonic acids. These are reliable signals something bad has happened but they, in turn, break down into simple molecules that leave no clear signature of the original poison.

The result is that, within a month or two of an attack, concentrations of alkyl methylphosphonic acids left in the soil are too low for gas chromatography—the tool normally used to search for traces of nerve gas—to detect. What is needed is a way to concentrate the chemical signal. And a group of researchers from the University of Central Lancashire, in Britain, and the country's Defence Science and Technology Laboratory, led by Matthew Baker, think they have one: the humble white mustard plant.

White mustard (named after the colour of its seeds, not its flowers) grows rapidly in many sorts of soils. That makes it suitable for deployment all over the world. The researchers' crucial discovery, though, was that if the soil in which it is growing contains a nerve agent (they used vx) the plant will absorb it, metabolise it into alkyl methylphosphonic acids, and store those acids in its tissue. It will do so even when the agent's level in the soil is too low for chromatography to detect the poison directly. The plant's constant extraction of chemicals from the soil means the acids build up in it to a point where detection is possible. Regardless of soil type, Dr Baker found, evidence for the presence of vx could be extracted from plants at least 45 days after application. Bad guys beware.



Mustardseed, I know your patience well

Why the difference? Drs Mandel and Barnes do not know. But their favourite hypothesis rests on cultural differences—that professional analysts are more cautious than your average pundit, and that this diffidence serves them well. That fits with some of Dr Tetlock's later findings, in which he identified a small group of "superforecasters" who actually seemed competent at their jobs. One characteristic of these superforecasters was caution about their own abilities.

And working as an analyst offers plenty of incentives to be cautious. Unlike pundits, who can pontificate from the safety of their armchairs, analysts know that their advice is likely to have consequences in the real world. Drs Mandel and Barnes found

that analysts' inherent underconfidence became even more pronounced when confronting particularly important or difficult questions.

Analysts must also defend their claims to managers, who are trained to be sceptical, and to their political masters. Other studies have shown such accountability encourages careful thinking and reduces self-serving cognitive biases. Journalists, media dons and other pundits do not face such pressures. Today's newsprint is, famously, tomorrow's fish-and-chip wrapping, which means that columnists—despite their big audiences—are rarely grilled about their predictions after the fact. Indeed, Dr Tetlock found that the more famous his pundits were, the worse they did. ■



New art from the Middle East

Shifting chronicle

NEW YORK

Arab artists tell stories to make sense of their conflicted world

ASK most American museum-goers, even avid ones, to name a prominent artist from the Arab world, and they will probably draw a blank. Now an ambitious show at the New Museum in the Bowery district of Manhattan aims to put that right. "Here and Elsewhere", which opened on July 16th, does not propose to define Arabic art as a unified whole or even try to pin down a regional aesthetic. Instead, it presents more than 45 artists working in a wide range of media, who chronicle or bear witness to political and social change in the Middle East in all its heated confusion and messiness.

The exhibit borrows its title from a French film of the same name, "Ici et Ailleurs", made by Jean-Luc Godard and his partner, Anne-Marie Miéville, with Jean-Pierre Gorin, about the Palestine Liberation Organisation (PLO) in Jordan, Lebanon and Syria. The project ran into trouble during filming in 1970, when King Hussein ordered the raiding of PLO camps in Jordan. Many of those who had been filmed were killed. Uncertain at first about how to proceed, Mr Godard and Ms Miéville decided to recast the unfinished work, mixing what they had shot with file footage, voice-over narration and written commentary. The New Museum takes that multi-pronged approach as its cue.

Creating a show covering such a vast region is hard. In 2006 the Museum of Modern Art (MOMA) across town was criti-

cised for the limited scope of an exhibition on the Middle East, "Without Boundary: Seventeen Ways of Looking". Shirin Neshat, an Iranian artist living in exile whose work was exhibited in the show, was vocal about the curators' failure to show how religion and politics inform an artist's viewpoint.

Massimiliano Gioni, the New Museum's director of exhibitions (and curator of the 2013 Venice Biennale) has focused on reportage. His curators cast a wide net and contacted more than 800 artists as possible candidates. Many had never had their work shown in America.

The result is a sweeping exhibition, filling every room in the museum. It explores the bold and unique ways these artists document contemporary history through video, painting and drawing, photography, mixed media and found objects. Conscious of how distorted Western reporting on their countries can be, they see art as a form of journalism that is free of editors or stylebooks. With camera or paintbrush or in an installation, they editorialise, tell stories and set the historical record straight, often in new and unforeseen ways. They are not unlike America's Founding Fathers in their wish to expunge boundaries and censorship from forms of expression. And they affirm the view of the late Palestinian-American scholar, Edward Said, that one has to look "elsewhere" to understand the "here".

Also in this section

71 The importance of volcanoes

71 The lure of fine Burgundy

72 Yasmina Reza's new novel

72 Ten great buildings

73 Remembering Clare Boothe Luce

73 Alan Stanbrook, a life

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Economist.com/culture

One of the first pieces the visitor sees is a large, mural-like photograph of the lobby of an ornate, hugely expensive hotel in Abu Dhabi. It is adorned with marble, crystal chandeliers and gold-leaf ceilings. The work, created by GCC, a group of nine artists that borrows the initials of the Gulf Co-operation Council, points a finger at ostentatious displays of wealth.

Like Fouad Elkoury and his images of Beirut (pictured) Lamia Joreige's "Objects of War" encapsulates the theme of the artist as a witness to history. Since 1999 she has been interviewing people in her native Lebanon who have been affected by the country's wars. As the interviews play on a monitor, visitors can look at several of the objects mentioned in the stories, such as a pair of loafers or a Sony Walkman. Ms Joreige's archaeological approach to creating a narrative underscores how personal possessions, such as a teddy bear, a curtain or a radio, can become a symbol or a trigger for recollections of war.

Clever approaches to capturing life on camera abound, whether the subject is family history or the aftermath of a dictator's turbulent reign. Fakhri El Ghezal, a Tunisian photographer, shows empty walls and naked picture frames that once displayed the portrait of the dictator, Zine el-Abidine Ben Ali, who was removed from power by a bloodless coup. An Iraqi photographer, Jamal Penjweny, took the opposite approach in his "Saddam is Here" photo series. Over two years he asked people, such as a doctor or a butcher, to pose with a picture of Saddam Hussein over their faces—at home, on the street or in an office. Mr Penjweny's premise is that the memory of a dictator, whether good or bad, persists after his death. The exhibition, too, leaves a lasting impression and confirms how art can create a historical record. ■

Volcanoes

Vulcan's twins

Island on Fire: The Extraordinary Story of Laki, the Volcano that Turned

Eighteenth-Century Europe Dark. By Alexandra Witze and Jeff Kanipe. *Profile Books*; 224 pages; £10.99

Tambora: The Eruption that Changed the

World. By Gillen D'Arcy Wood. *Princeton University Press*; 293 pages; \$29.95 and £19.95

FOR most of history, volcanoes embodied the capacity of the natural world to wreak havoc on human societies. Recently though, global warming—invisible, subtle, the very opposite of volcanoes—has displaced them as the incarnation of environmental threat. Two recent books that show the influence of Vulcan's children may reinstate volcanoes in the pantheon of climate problems.

The first, "Island on Fire", looks at the extraordinary eruption of Laki, in Iceland, 230 years ago. The archetypal volcano blows the top off a mountain and spews lava for a few weeks. This one consists of a great rent in the ground, 30km long, and in June 1783 it yawned and stayed open for more than eight months, producing enough lava to bury Manhattan to the top of the Rockefeller Centre (pictured).

Laki was the first eruption to be written about in the diaries, newspapers and scientific papers that were then spreading fast among the newly literate classes of Europe. Gilbert White, an English naturalist, wrote about "the peculiar haze, or smoky fog... unlike anything known within the memory of man". And Benjamin Franklin, in Paris to negotiate the treaty ending America's war of independence, speculated that the exceptionally cold winter of 1783-84

might be connected with "the vast quantity of smoke, long continuing to issue during the summer from Hekla" (Iceland's most notorious volcano). Franklin was among the first to link volcanic activity and climate change.

The most remarkable character in the story of Laki's eruption is Jon Steingrímsson, a Lutheran pastor working locally. He nursed his congregation through the famine that followed the eruption when three-quarters of Iceland's sheep died after ingesting the fluorine that poured out of the volcano. Steingrímsson left the most detailed eyewitness account of any eruption up to that time, in which he describes the falling ash being "as long and thick as a seal's hair", while gouts of molten lava splash on the earth "like cowpats".

The eruption in 1815 at Tambora, east of Bali, left no such eyewitnesses. But the eruption, which reduced the height of the Tambora mountain by over a kilometre, left its mark in indirect ways. Mary Shelley's "Frankenstein", for example, was written while she was stuck indoors during the coldest and wettest Geneva summer on record, a result of the cooling effect that Tambora had round the world.

Gillen D'Arcy Wood, a professor at the University of Illinois, Urbana-Champaign, traces the eruption's influence in the agricultural disaster that overwhelmed Yunnan province in south-west China from 1815 to 1818 and led famine-stricken farmers to adopt the most profitable crop then available—opium—giving the drug a foothold in Chinese society decades before the opium wars. He argues that Tambora disrupted the South Asian monsoon, producing both famine in Bengal and a new, more virulent strain of cholera, which led to a worldwide cholera pandemic in the early 1830s. (Another novel by Mary Shelley, "The Last Man", about a plague-ridden world, is a response to the disease.)

Mr Wood also dates Britain's futile 100-year obsession with a north-west passage

from Europe to Asia via the Arctic to the temporary melting of Arctic ice that can accompany tropical volcanic eruptions. And he says Tambora contributed to the first great depression in America when east-coast farmers, struggling during the year they called "eighteen-hundred-and-froze-to-death", headed to the Appalachians, and saw their livelihoods destroyed again when European wheat harvests rebounded but those in America did not.

The stories of Tambora and Laki are not only about disaster. The eruptions sparked the first sustained interest in climate science. After Tambora, for example, Heinrich Brandes, a mathematics professor in Breslau, produced the world's first weather map. But the overwhelming impression from these books—the one on Tambora a history, that on Laki also a work of vulcanology—is that volcanoes have brought regional disaster, with global effects. The world experiences such massive eruptions about twice a century. The impact of volcanoes is not confined just to the past. ■

Burgundy

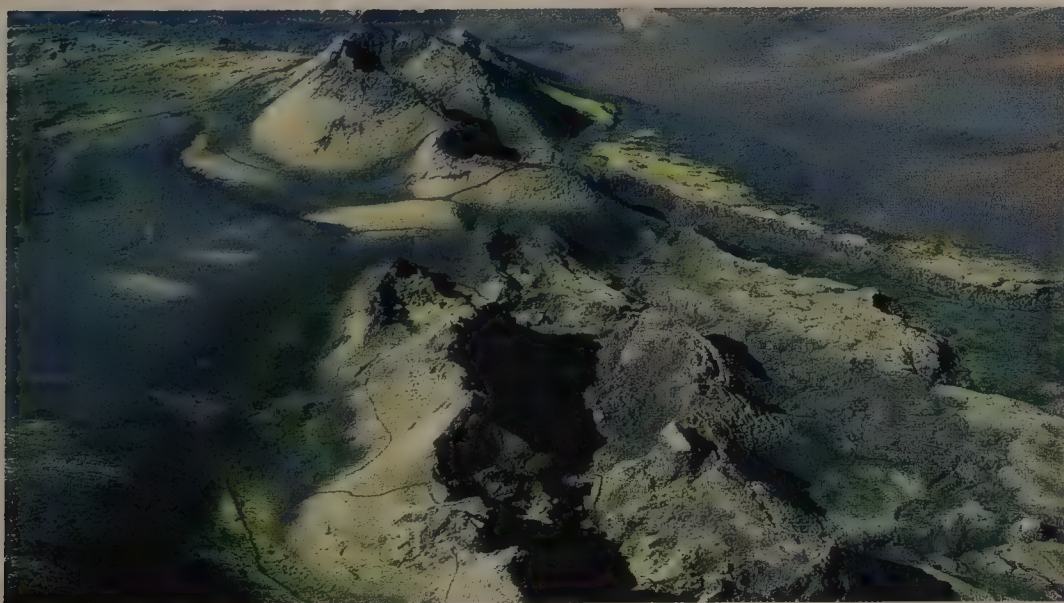
Amazing grapes

Shadows in the Vineyard: The True Story of a Plot to Poison the World's Greatest Wine.

By Maximillian Potter. *Twelve*; 304 pages; \$27 and £19.99

"THE true story of a plot to poison the world's greatest wine". The subtitle of "Shadows in the Vineyard" makes Maximillian Potter's first book sound like a real page-turner. Indeed, much of the detail that the author, an American journalist, has unearthed about an extortion attempt made in 2010 against Domaine de la Romanée-Conti (DRC), the French estate that makes the world's most expensive wine, is ripe for a Hollywood film.

A mysterious criminal digs a hidden space next to vineyards so beloved that no one has ever seen the need to protect them. For over a year he spends his days listening to Mozart in his lair, and his nights meticulously mapping every vine on the estate, some of whose Pinot Noir sells for \$10,000 a bottle. With help from his son, he drills holes into the roots of hundreds of vines, and then kills two of them with a herbicide. He writes to Aubert de Villaine, the head of DRC, demanding €1m (\$1.4m) in exchange for keeping the rest of the world's most valuable vineyard alive. In collaboration with a crack team of investigators, DRC's executives leave a bag full of fake euro notes and electronic tracking devices at the requested drop-off point. In the dead of night, someone arrives to pick it up... ►►



Vents of fury

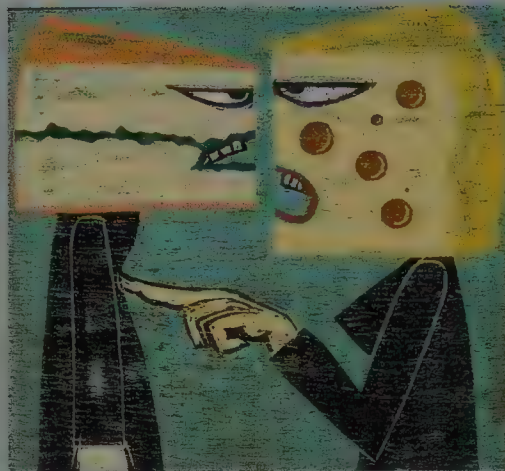
French fiction

Unhappy families

Happy are the Happy. By Yasmina Reza. Translated by Sarah Ardizzone. *Harvill Secker*; 210 pages; £12.99. To be published in America by *Other Press* in January 2015; \$20

YASMINA REZA has set herself a challenge in her latest novel, and she rises to it beautifully. "Happy are the Happy", vivaciously translated from the French by Sarah Ardizzone, charts the conjugal, parental and romantic woes of 18 interconnected characters. Each chapter is a monologue delivered by one of them. The cast includes Robert, a journalist who is unhappily married to Odile; Odile's father Ernest, who is unhappily married to Jeannette; and Ernest's sister Marguerite, who is unhappily single. There are also the Hutners. They appear to be happy, but are in fact hiding the secret of their deranged son. The structure could have given the book the staccato feeling of short stories. But in Ms Reza's hands it has a cumulative power that amplifies her themes of isolation and mutual misunderstanding.

The chapters make satisfying miniatures, hovering between dark pathos and anarchic comedy. The book opens with Robert describing a vicious argument he had with Odile when he bought Morbier cheese rather than Gruyère, which ended with him pinning her to the supermarket's Plexiglas cheese counter. It shows Ms Reza's gift for farcical escalation, familiar to fans of her hugely successful plays, "Art" and "God of Carnage". It also shows her dramatist's ear for the quick-



fire absurdities of a rowing couple, hanging their marital strife on the groceries. "Who eats Morbier at home?" Odile cries. "Who likes bloody Morbier?!"

But the book's power lies in the way the monologues enrich one another. Ernest's ashes are scattered in a river near his childhood home, in a scene that the book has been building towards. His wife has already said she would like them to be buried together, "to erase forever the snubs of our conjugal life," Ernest says, caustically. The reader has seen the effect those snubs have had, when she breaks down in a shop's changing room, forlorn and forgotten about. When she transports his ashes in a cheap and gaudy sports bag it seems as though she is inflicting the final indignity on a marriage that has been slowly unfolded. In spite of its fragmentary form, Ms Reza's novel is more than the sum of its parts.

► And unfortunately for the riveted reader, the gripping part of the book's narrative ends there. In a matter of minutes the French police swarm over the extortionist, a former grape-grower down on his luck, and he winds up committing suicide while awaiting trial. No more vines are poisoned, and the profits at DRC, the oenophile's ultimate status symbol, grow healthier than ever. Less than half the book actually addresses this amateurish crime.

The remainder is essentially an ode to Burgundy wine and to Mr de Villaine, whose co-operation Mr Potter has amply rewarded with a profile depicting him as the epitome of humility and wisdom. Flitting back and forth between the present, Mr de Villaine's childhood and the machinations of the 18th-century Prince de Conti, who once owned the estate, the book paints a vivid portrait of three centuries of society, business and viticulture in the

world's most coveted wine region.

The author was at first sceptical of Burgundy's mystique: he notes that his grandfather drank wine from a screw-top bottle out of a coffee mug. But he ends up so taken with its romance that some of his prose sounds like advertising copy. "The Burgundian process done right", he explains, "must be synchronised to the rhythms of the moon and relies on the soul of the vigneron [winemaker]...Like love. Like poetry. Like philosophy." Moreover, the creative licence he takes in recounting his characters' actions and inner thoughts make it hard to tell where Mr Potter's reporting ends and his imagination takes over. Perhaps it takes a sip of Romanée-Conti, which the author gets to taste at the book's conclusion, to peek unobstructed into the hearts of the generations that have tended to "the Domaine". If so, all but the richest readers will have to take Mr Potter at his word. ■

Architecture

Building societies

Bricks and Mortals: Ten Great Buildings and the People They Made. By Tom Wilkinson. *Bloomsbury*; 340 pages; \$30 and £25

TOWARDS the end of the 15th century a boy traipsing along a Roman hillside stumbled down a crevice and landed in a subterranean gallery. That dark grotto turned out to be the Emperor Nero's first-century villa, or what was left of it. Nero's successors, eager to rub out all traces of the hated ruler, had built over it, and the vast villa had been forgotten.

Nero's *Domus Aurea* ("Golden House") is one of the case studies in Tom Wilkinson's "Bricks and Mortals: Ten Great Buildings and the People They Made". Mr Wilkinson sets out to demonstrate the full complexity of a building. It takes on the personality of the people who built or occupied it, and its public image evolves in line with theirs.

To illustrate his point, Mr Wilkinson (who teaches at University College London) uses examples as old as the Tower of Babel and the Great Mosque of Djenné in Timbuktu, and as recent as Oscar Niemeyer's curved footbridge in Rio de Janeiro. He shows how each building has a meaning of its own, and how that meaning can change over time. The Tower of Babel, for example, is viewed today as the embodiment of vanity and arrogance. Yet for the Babylonians it was a handsome monument, topped by a temple, that was meant to be admired for its architecture.

Mr Wilkinson draws contemporary parallels with these historic edifices. The Palazzo Rucellai, completed in 1450 by a Florentine banker who also paid for the façade of the Church of Santa Maria Novella, is identified as an early example of "architecture as advertising": a building that not only signposts the owner's wealth, but publicises his business as a hoarding would. More recent examples of this, he writes, are the Rockefeller Centre in New York and Tokyo's Roppongi Hills city-within-a-city, which has a central skyscraper named after its developer, Minoru Mori.

The author is most at ease when discussing Western architecture. He vividly describes the Highland Park Car Factory in Detroit, which was designed by Albert Kahn for Henry Ford, opened in 1910, and was emblematic of a revolutionary new way of life. He recalls how deeply Le Corbusier and his peers admired the Ford factory and its boxy, warehouse look, and how it inspired the flat-roofed Modernist houses that have been built ever since.

The evocations of Eastern architecture, ►►

on the other hand, tend to meander. The Tower of Babel starts a sequence of ideas that leads via the storming of the Bastille, Lawrence of Arabia and the archaeologist-Arabist Gertrude Bell, to Saddam Hussein, the World Trade Centre and the American-led invasion of Iraq in 2003. To make his book relevant to contemporary readers, Mr Wilkinson frequently uses modern terminology. But in this chapter, his use of expressions such as “dodgy dossier” and “Arab spring” in describing historical episodes is somewhat clunky.

As Mr Wilkinson points out, architecture is “the most inescapable of art forms”. It is quite possible to live without paintings and chamber music, but not without a roof overhead. “Bricks and Mortals” is likely to make readers more conscious of the structures they inhabit, work in and experience daily. It may not tell architects anything they do not already know, but for everyone else, it is a thought-provoking book. ■

Clare Boothe Luce

A woman of substance

Price of Fame: The Honorable Clare Boothe Luce. By Sylvia Jukes Morris. Random House; 735 pages; \$35

BEAUTY was an asset Clare Boothe Luce used to her political (and financial) advantage. But so, too, were the other characteristics summed up by Sylvia Jukes Morris in this second and final part of her exhaustive biography of one of the most remarkable women of 20th-century America: “charm, humour, coquetry, intellect, ambition”. These brought her marriages to two wealthy men, two outspoken terms in the House of Representatives, an ambassadorship in Rome and an array of honours that culminated in the Presidential Medal of Freedom. Not bad for a woman born illegitimate in an unpromising part of New York.

But the package of characteristics, to which should be added a ferocious capacity for hard work, also brought much more: a career in journalism, complete with forays as a war correspondent in Europe in the 1940s; plays that were hits on Broadway; screenplays for Hollywood; and even, at the age of 54, the discovery of the joys of scuba-diving. Small wonder that in 1944, in her first term in Congress, the 41-year-old Luce was elected “Woman of the Year” by a poll of American newspaper editors, pushing Eleanor Roosevelt into a distant second place.

Ms Morris’s first volume of Luce’s biography, published in 1997, was called “Rage for Fame: The Ascent of Clare Boothe

Luce”. This concluding volume is just as pointedly titled. Luce’s first husband was an alcoholic, but he did at least give her money and father Ann, her only daughter. Her second marriage was to Henry Luce, the fabulously wealthy founder and owner of the Time-Life stable of magazines. Henry, who was already married with two young sons when he met Clare, admitted to a *coup de foudre*—a fate that befell an amazing number of men who came into her orbit. But Ann died in a car crash, her dissolute brother killed himself flying into the sea and the marriage to Henry, though it endured affairs on both sides, became a sexless ordeal of scant compatibility. In short, Luce’s political and social success came at a price: several suicide attempts (some probably genuine) and a reliance on sleeping pills and painkillers.

Fortunately, Ms Morris is not overwhelmed by the melodrama of Luce’s life. She had unparalleled access to her subject before Luce’s death in 1987 and to her papers (all 460,000 of them) in the Library of Congress. The result is a portrait of a woman gifted with intelligence and drive, but marred by narcissism and scarred by a constant sense of loneliness. There is a moving account of Luce’s conversion to Catholicism and a persuasive analysis of her role as ambassador to Rome in resolving the post-war status of Trieste.

As a Republican politician Luce was surely a forerunner of today’s “neocons”, a hawk in foreign policy and military affairs, but socially liberal (she was adamantly opposed to segregation). She enraged Democrats with her denunciation of Roosevelt’s New Deal and even accused the president of lying in order to take America into the second world war. Yet with her seductive beauty and charm she could count the



Beauty was her masquerade

Democrats’ Jack Kennedy and Lyndon Johnson as friends, adding them to a list that ran from Chiang Kai-shek and Winston Churchill to Noel Coward, Evelyn Waugh and Somerset Maugham.

As a female politician in the 1940s Luce was a rarity. Asked in her old age whether being a woman had disadvantaged her, she quipped, “I couldn’t possibly tell you. I have never been a man.” That question is less likely to be put to Hillary Clinton or other female stars of the modern American political scene. Nor, of course, is Mrs Clinton likely to have a *Harper’s* cover story blaring: “Clare Boothe Luce: from Courtesan to Career Woman”. Luce’s characteristically witty reaction was that she would have preferred “from career woman to courtesan”. ■



Alan Stanbrook, 1938–2014

In March 1984, when *The Economist* expanded its books section to include coverage of the arts under the name Books Plus, Alan Stanbrook was just the man for the job. He had joined the paper in 1975 as a financial writer. But his life’s passion, discovered while doing a year of National Service before going up to Oxford, was film. He began freelancing for *Films and Filming*, squeezing in screenings whenever he had a spare moment. He developed a particular liking, long before it was fashionable, for Asian cinema and was a regular visitor to the popular Busan film festival in South Korea. He kept meticulous notes and never forgot a film. Reviewing “Saving Private Ryan” in 1998, he was able in less than an hour to produce an elegant history of great Hollywood war films going right back to “All Quiet on the Western Front” and its much better second-world-war equivalent, “A Walk in the Sun”. He had seen them all.

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Tenders



REPUBLIC OF KENYA

MINISTRY OF ENERGY AND PETROLEUM

PROPOSED HOIMA-LOKICHAR-LAMU CRUDE OIL PIPELINE REQUEST FOR PROPOSALS FOR SELECTION OF A LEAD CONSULTANT TO CARRY OUT A FEASIBILITY STUDY AND UNDERTAKE PRELIMINARY ENGINEERING DESIGNS

Background

The Government of the Republic of Kenya through the Ministry of Energy and Petroleum, the Government of the Republic of Uganda (GoU) through the Ministry of Energy and Mineral Development and the Government of the Republic of Rwanda through the Ministry of Infrastructure are desirous of developing a crude oil pipeline from Hoima in Uganda through Lokichar Basin to Lamu in Kenya ("the Pipeline").

The Ministry of Energy and Petroleum, on behalf of the Project Steering Committee, hereby invites proposals from experienced firms/consortia to bid as Lead Consultant for supervision of implementation of the project, and undertake a feasibility study and preliminary engineering designs for the Pipeline. International firms are encouraged to partner with local firms in the three countries as a way of enhancing local content.

1. Scope of the Project

The Pipeline consists of development of approximately 1,300 km length of crude oil pipeline and fibre optic cable from Hoima in Uganda through Lokichar Basin to Lamu in Kenya; and construction of tank terminals in Hoima, Lokichar and Lamu, pumping stations, a 9 km pipeline from the Lamu tank terminal to offshore Single Point Mooring buoys and all associated facilities.

The Pipeline is to be developed as a single project but split into two lots, namely Hoima to the Uganda/Kenya border and from the border to Lamu. The two lots are to be implemented within agreed specifications and timelines.

2. Interested Firms

Interested firms/consortia may obtain the Request for Proposals (RFP) from the Office of the Deputy Director Supply Chain Management Services, Ministry of Energy and Petroleum, 24th Floor, Nyayo House, Nairobi, Kenya between 09:00 hours and 16:30 hours during working days, on payment of a non-refundable fee of Kenya Shillings One Thousand (KShs.1000/-) payable in cash or in the form of a Bankers Cheque drawn in favour of the Ministry of Energy and Petroleum.

The RFP can also be downloaded from the Ministry's website: www.energy.go.ke but evidence of payment of the non-refundable fee should be given during submission of the Proposals.

3. Submission of Proposals

The Proposals to undertake the feasibility study and preliminary engineering designs should be submitted to the address below so as to be received on or before **8th August, 2014, 10.00 hours (East African time)**

The Principal Secretary
Ministry of Energy and Petroleum
Nyayo House, Kenyatta Avenue
P.O. Box 30582 – 00100
NAIROBI, KENYA

The Proposals will be opened immediately thereafter, in the presence of bidders, or their representatives, who wish to attend.

REPUBLIQUE DU BURUNDI



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The Ministry at the President's Office in charge of EAC affairs with the support of TradeMark East Africa (TMEA) seeks to recruit a consultancy firm to enhance English language skills, training and set-up English language centres in Burundi.

The detailed Terms of Reference, EOI document and the application form for this consultancy can be obtained at TradeMark East Africa's website www.trademarka.com/work-with-us. Interested and qualified consultancy firms must register and apply on the TradeMark East Africa procurement portal <http://procurement.trademarka.com>. Any queries must be directed to procurement@trademarka.com.

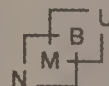
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For further information, please contact Senior Researcher Dr. Hanne K. Sjølie
by phone +47 950 76 787 or e-mail hanne.sjolie@nmbu.no

Closing date: August 31, 2014

The Economist July 19th 2014



The Bureau of Public Enterprises (BPE), Federal Ministry of Industry Trade and Investment
and Central Bank of Nigeria (CBN)
In collaboration with
The Federal Ministry of Finance

Public Private Partnership (PPP) Project
Transaction Advisory Services for the Privatization of Abuja Securities and Commodity Exchange (ASCE)
(Presently Nigeria Commodity Exchange)

REQUEST FOR EXPRESSIONS OF INTEREST

The Federal Government of Nigeria (FGN) has received financing from the World Bank towards the cost of the Public Private Partnership (PPP) Project and intends to apply part of the proceeds for consulting services. The consulting services are Transaction Advisory services for the Privatization of Nigeria Commodity Exchange (formerly known as Abuja Securities and Commodity Exchange (ASCE)). The Transaction Advisers to be selected are to assist the FGN to privatize the Abuja Securities and Commodity Exchange (ASCE). The operations and history of ASCE are detailed below or in ASCE website:

Abuja Securities and Commodity Exchange (ASCE), presently Nigeria Commodity Exchange was incorporated as a Public Limited Liability Company in 1998 and commissioned in 1999. It established facilities that were to serve as a model for the Securities Market in Nigeria in terms of trading system, practice and procedures and commenced 'live' trading on May 2, 2001 in the securities of FSB International Bank, Inland Bank, Ashaka Cement and Niger Insurance. At inception, the Exchange was modeled after the National Stock Exchange of India. However in 2001, it was converted into a commodity exchange. This was in part due to the recognition that the securities market in Nigeria was at that time too small to support two viable stock exchanges as there was one already operating in Lagos. The conversion was intended to create an alternative institutional arrangement that would facilitate marketing of agricultural produce and thereby enable players to better manage price risks in the sector.

It was the FGN's expectation that ASCE, as a commodity exchange, would be able to attract large volumes of trade especially in agricultural produce and assist producers, processors and traders in the sector to manage production and market risks and also trade in solid mineral products, energy, and currencies. This expectation is yet to be realised as ASCE is still struggling to attract significant volumes of trade in agriculture and non-agricultural Commodity.

The main objective of this consultancy is to privatise Abuja Securities and Commodity Exchange (ASCE) and examine the overall architecture of ASCE with a view to identifying and/or determining all possible private sector activities within it. In addition, the selected consultant is to ensure that the restructured ASCE provides the appropriate outlook for the implementation of government's reform programme in the sector (advised by a separate concurrent advisory service); with prospects that are sufficiently attractive to private investors as well as being in conformity with local and international best practices.

The scope of work required of the Transaction Advisers is in the following three (3) phases:-

Phase 1:- Legal, Financial and Economic Due Diligence

Legal due diligence

The Adviser's tasks shall include but not limited to:

- Review of issues related to the existing legal and regulatory framework for ASCE, identifying gaps, if any, and how to remedy the situation to allow for private participation in the ownership and management of the enterprise;
- Assessment of any provisions in the existing laws, policies which limit or impose a burden on the proposed privatization of ASCE;
- Review and assess the state of agricultural financing and warehouse infrastructure and the state of the Commodity market in the sector

Phase 2:- Market Assessment

- The Adviser will conduct a market analysis using its market knowledge and contacts in order to determine the potential for selling a majority stake in ASCE to one or more strategic investors (in conjunction with raising additional capital for ASCE, if required).
- The Adviser will also assess and discuss other options that may not require a "strategic investor" and provide costs and benefits of each.

Phase 3:- Development of a Privatization Strategy & Plan

- The Adviser is expected to provide an array of options for the restructuring and privatization of the ASCE
- Recommend at least 3 options for financial restructuring, with their cost benefit analysis to the Government, and in the context of the policy objectives for developing Commodity exchange markets in Nigeria.
- Prepare a plan for the sale of shares of ASCE to the strategic investor(s) (depending on the results of financial due diligence)
- Co-ordinate and facilitate the execution of due diligence by potential strategic financial investors, including management of the ASCE data room.

The Federal Ministry of Finance in collaboration with the Federal Ministry of Industry Trade and Investment and the Bureau of Public Enterprises (BPE) now invites eligible consulting firms ("Consultants") to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services.

Submission of Expressions of Interest (EOIs):

Prospective Transaction Advisers should submit Expression of Interest detailing the following information as basis for pre-qualification:

- Profile of firm/consortium including ownership structure and role of each corporate entity with full contact details of each firm;
- Details of direct experience advising governments in the Privatization transactions;
- Track record of successful closing of Privatizations, particularly in the commercial agricultural and/or financial sectors;
- Description of roles played in at least five (5) industrial/banking Privatization transactions closed in emerging markets during the past seven (7) years (at least one of which should be in the past three (3) years);
- Relevant experience in privatization of industrial Banks/facility;
- Copies of unabridged financial reports for the last 3 years
- Experience working in Nigeria and/or sub-Saharan Africa;

The attention of interested Consultants is drawn to paragraph 1.9 of the World Bank's *Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrower*, Revised January 2011.

Consultants may associate with other firms in the form of a joint venture or a sub consultancy sub consultancy to enhance their qualifications. A Consultant will be selected in accordance with the Quality and Cost Based Selection Method set out in the Consultant Guidelines.

Further information can be obtained at the address below during office hours **9.00 am to 4.00 pm, Monday through Friday (except public holidays)** from Dr. Vincent O. Akpotaire, Tel: +234 813 844 5006, E-mail: vakpotaire@bpeng.org and Mr. Nelson T. Hundumofore, Tel: +234-803-787-0944; E-mail: nhundumofore@yahoo.com

Expressions of Interest shall be in English including the unabridged financial report and must be submitted in five (5) hard copies (one original and four copies plus one CD Rom), in a sealed envelope clearly marked "Expressions of Interest for Transaction Advisory Services for the Privatization of Nigeria Commodity Exchange"

Expressions of interest must be delivered to the address below in person or by courier, not later than **3:00pm on Monday August 11, 2014.**

EOI received by e-mail will be Rejected

The Director General
Bureau of Public Enterprises
Hamza Zayyad House, 11 Osun Crescent,
Off Ibrahim Babangida Way, Maitama Abuja, Nigeria

Attention:
Dr. Vincent O. Akpotaire (Ag. Director, National Facilities & Agricultural Department) Tel: +234 813 844 5006

• Only short-listed Consultants will be contacted.

The Economist July 19th 2014

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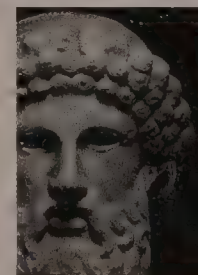


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Economic data

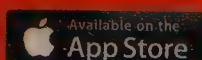
% change on year ago

	Gross domestic product			Industrial production	Consumer prices		Unemployment rate, %	Current-account balance		Budget balance % of GDP	Interest rates, %	Currency units, per \$	
	latest	qtr*	2014†	latest	latest	2014†		latest 12 months, \$bn	% of GDP 2014†		10-year gov't bonds, latest	Jul 16th	year ago
United States	+1.5 Q1	-2.9	+2.1	+4.3 Jun	+2.1 May	+1.9	6.1 Jun	-405.9 Q1	-2.3	-2.9	2.56	-	-
China	+7.5 Q2	+8.2	+7.3	+9.2 Jun	+2.3 Jun	+2.4	4.1 Q1§	+142.3 Q1	+2.1	-3.0	4.00§§	6.20	6.14
Japan	+3.0 Q1	+6.7	+1.5	+1.0 May	+3.7 May	+2.7	3.5 May	+2.6 May	+0.2	-8.0	0.55	101	99.3
Britain	+3.0 Q1	+3.3	+3.1	+2.2 May	+1.9 Jun	+1.7	6.5 Apr††	-117.7 Q1	-4.0	-4.6	2.86	0.58	0.66
Canada	+2.2 Q1	+1.2	+2.3	+3.9 Apr	+2.3 May	+1.9	7.1 Jun	-54.8 Q1	-2.7	-2.6	2.20	1.07	1.04
Euro area	+0.9 Q1	+0.8	+1.1	+0.5 May	+0.5 Jun	+0.7	11.6 May	+329.6 Apr	+2.5	-2.6	1.20	0.74	0.76
Austria	+0.3 Q1	-2.5	+1.4	+0.4 Apr	+1.8 May	+1.7	4.7 May	+8.8 Q1	+2.9	-2.8	1.46	0.74	0.76
Belgium	+1.2 Q1	+1.5	+1.3	+8.1 Apr	+0.3 Jun	+0.9	8.5 May	-5.4 Mar	-0.6	-2.5	1.63	0.74	0.76
France	+0.7 Q1	+0.2	+0.7	-3.7 May	+0.5 Jun	+0.8	10.1 May	-44.0 May†	-1.3	-4.0	1.52	0.74	0.76
Germany	+2.3 Q1	+3.3	+2.1	+1.2 May	+1.0 Jun	+1.0	6.7 Jun	+266.1 May	+7.0	+0.5	1.20	0.74	0.76
Greece	-0.9 Q1	na	+0.3	+1.8 May	-1.1 Jun	-0.8	26.8 Mar	+3.2 Apr	+0.9	-11.5	6.29	0.74	0.76
Italy	-0.5 Q1	-0.5	+0.2	-1.8 May	+0.3 Jun	+0.5	12.6 May	+30.5 Apr	+1.2	-3.0	2.82	0.74	0.76
Netherlands	nil Q1	-2.4	+0.4	+0.6 May	+0.9 Jun	+0.8	8.6 May	+86.3 Q1	+9.9	-2.7	1.41	0.74	0.76
Spain	+0.6 Q1	+1.5	+1.0	+0.5 May	+0.1 Jun	+0.1	25.1 May	+4.3 Apr	+1.1	-5.7	2.81	0.74	0.76
Czech Republic	+2.9 Q1	+3.2	+2.5	+2.6 May	nil Jun	+0.6	7.4 Jun§	+0.2 Q1	nil	-1.7	1.49	20.2	19.8
Denmark	+1.3 Q1	+3.4	+1.4	-2.7 May	+0.5 Jun	+0.9	5.0 May	+24.4 May	+6.6	-1.5	1.56	5.48	5.68
Hungary	+3.5 Q1	+4.5	+2.6	+9.5 May	-0.3 Jun	+0.3	8.0 May§††	+4.7 Q1	+1.5	-3.0	4.40	228	223
Norway	+3.9 Q1	+1.3	+2.3	-6.8 May	+1.9 Jun	+2.0	3.3 Apr††	+60.7 Q1	+13.3	+12.2	2.45	6.17	5.99
Poland	+3.4 Q1	na	+3.1	+4.5 May	+0.3 Jun	+0.6	12.1 Jun§	-3.9 May	-1.8	-3.5	3.45	3.05	3.23
Russia	+0.9 Q1	na	+0.6	+0.4 Jun	+7.8 Jun	+6.7	4.9 May§	+51.5 Q2	+2.0	-0.6	8.76	34.1	32.4
Sweden	+1.8 Q1	-0.3	+2.4	-2.2 May	+0.2 Jun	+0.2	8.0 May§	+36.2 Q1	+6.3	-2.1	1.60	6.79	6.58
Switzerland	+2.0 Q1	+1.9	+2.0	+0.5 Q1	nil Jun	+0.2	3.2 Jun	+105.4 Q1	+12.2	+0.3	0.69	0.89	0.94
Turkey	+4.3 Q1	na	+3.0	+1.6 May	+9.2 Jun	+8.9	9.0 Apr§	-52.6 May	-5.9	-2.6	8.82	2.12	1.92
Australia	+3.5 Q1	+4.5	+3.0	+5.7 Q1	+2.9 Q1	+2.7	6.0 Jun	-40.9 Q1	-2.1	-1.2	3.43	1.07	1.08
Hong Kong	+2.5 Q1	+1.0	+2.6	+2.1 Q1	+3.7 May	+3.6	3.1 May††	+4.5 Q1	+2.8	+0.8	2.08	7.75	7.76
India	+4.6 Q1	+8.0	+6.0	+4.7 May	+7.3 Jun	+8.4	8.8 2013	-32.4 Q1	-2.8	-5.2	8.73	60.1	59.2
Indonesia	+5.2 Q1	na	+5.4	+2.9 May	+6.7 Jun	+6.4	5.7 Q1§	-27.3 Q1	-3.5	-2.3	na	11,585	10,035
Malaysia	+6.2 Q1	na	+5.7	+6.1 May	+3.3 Jun	+3.2	2.9 Apr§	+14.3 Q1	+6.3	-4.0	3.95	3.19	3.19
Pakistan	+6.1 2013**	na	+5.4	+2.7 Apr	+8.2 Jun	+7.7	6.2 2013	-3.6 Q1	-2.1	-6.8	13.10†††	98.7	100
Singapore	+2.1 Q2	-0.8	+4.2	-2.4 May	+2.7 May	+2.2	2.0 Q1	+56.3 Q1	+19.5	+0.7	2.29	1.24	1.26
South Korea	+4.0 Q1	+3.8	+3.8	-2.1 May	+1.7 Jun	+1.7	3.5 Jun§	+86.6 May	+4.5	+1.0	3.03	1,019	1,118
Taiwan	+3.1 Q1	+1.9	+3.2	+5.2 May	+1.6 Jun	+1.4	4.0 May	+61.9 Q1	+11.9	-2.1	1.64	29.9	29.8
Thailand	-0.4 Q1	-8.2	+1.9	-4.1 May	+2.4 Jun	+2.5	0.9 May§	+4.9 Q1	+2.5	-2.3	3.59	32.2	31.1
Argentina	-0.2 Q1	-3.2	-1.2	-4.9 May	— ***	—	7.1 Q1§	-5.7 Q1	-1.1	-1.8	na	8.15	5.43
Brazil	+1.9 Q1	+0.7	+1.0	-3.1 May	+6.5 Jun	+6.6	4.9 Apr§	-81.9 May	-3.7	-3.8	11.96	2.22	2.24
Chile	+2.6 Q1	+3.0	+3.2	+3.4 May	+4.3 Jun	+4.1	6.3 May§††	-8.4 Q1	-2.5	-1.3	4.66	554	502
Colombia	+6.4 Q1	+9.7	+5.0	-2.0 Apr	+2.8 Jun	+3.0	8.8 May§	-13.2 Q1	-3.8	-1.5	6.56	1,849	1,875
Mexico	+1.8 Q1	+1.1	+2.4	+1.6 May	+3.8 Jun	+3.9	5.0 May	-23.3 Q1	-1.5	-3.6	7.75	13.0	12.6
Venezuela	+1.0 Q4	+3.6	-2.5	+0.8 Sep	+60.9 May	+64.4	7.1 Apr§	+6.9 Q3	+1.4	-12.1	15.81	10.8	6.29
Egypt	+2.5 Q1	na	+1.8	+8.2 May	+8.2 Jun	+9.1	13.4 Q1§	-1.9 Q1	-2.5	-11.9	na	7.15	7.00
Israel	+3.5 Q1	+2.9	+3.1	-1.9 Apr	+0.5 Jun	+1.2	5.9 May	+7.4 Q1	+2.7	-2.6	2.84	3.43	3.56
Saudi Arabia	+4.0 2013	na	+4.0	na	+2.7 Jun	+2.9	5.6 2013	+132.9 Q1	+11.8	+2.2	na	3.75	3.75
South Africa	+1.6 Q1	-0.6	+2.3	-3.5 May	+6.6 May	+5.9	25.2 Q1§	-19.0 Q1	-5.5	-4.4	8.00	10.7	9.84

Source: Haver Analytics. **% change on previous quarter, annual rate. †The Economist poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. †New series. **Year ending June. ††Latest 3 months. †††3-month moving average. §§5-year yield ***Official number not yet proven to be reliable; The State Street PriceStats Inflation Index, May 41.74%; year ago 17.70% †††Dollar-denominated bonds.

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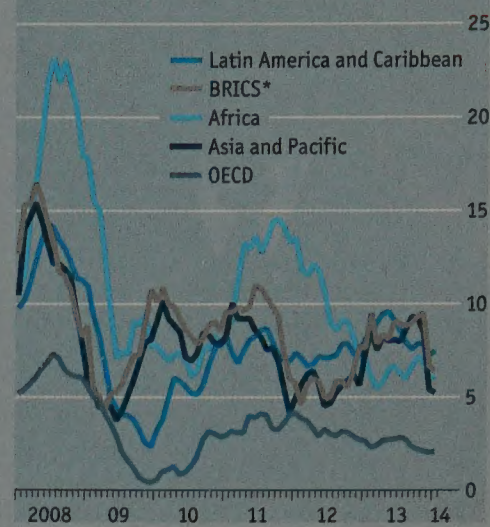
Markets

	Index Jul 16th	% change on			
		one week	Dec 31st 2013 in local currency terms	in \$ terms	
United States (DJIA)	17,138.2	+0.9	+3.4	+3.4	
China (SSEA)	2,164.5	+1.4	-2.3	-4.6	
Japan (Nikkei 225)	15,379.3	+0.5	-5.6	-2.4	
Britain (FTSE 100)	6,784.7	+1.0	+0.5	+4.0	
Canada (S&P TSX)	15,226.3	+0.1	+11.8	+10.4	
Euro area (FTSE Euro 100)	1,046.8	+0.2	+2.6	+0.8	
Euro area (EURO STOXX 50)	3,202.9	nil	+3.0	+1.2	
Austria (ATX)	2,404.6	+0.6	-5.6	-7.2	
Belgium (Bel 20)	3,158.6	+1.0	+8.0	+6.1	
France (CAC 40)	4,369.1	+0.2	+1.7	-0.1	
Germany (DAX)*	9,859.3	+0.5	+3.2	+1.4	
Greece (Athex Comp)	1,190.1	+1.5	+2.4	+0.5	
Italy (FTSE/MIB)	21,070.0	+0.9	+11.1	+9.1	
Netherlands (AEX)	408.8	-0.4	+1.7	-0.1	
Spain (Madrid SE)	1,089.7	-0.8	+7.7	+5.8	
Czech Republic (PX)	962.1	+1.4	-2.7	-4.7	
Denmark (OMXCX)	672.7	+1.5	+18.9	+16.8	
Hungary (BUX)	18,161.8	+0.9	-2.2	-7.6	
Norway (OSEAX)	697.3	+0.7	+15.7	+13.2	
Poland (WIG)	51,445.9	+1.4	+0.3	-0.9	
Russia (RTS, \$ terms)	1,350.5	-3.8	-1.9	-6.4	
Sweden (OMXS30)	1,393.1	+1.0	+4.5	-1.7	
Switzerland (SMI)	8,617.1	+0.9	+5.0	+4.0	
Turkey (BIST)	82,270.5	+3.5	+21.3	+23.1	
Australia (All Ord.)	5,504.5	+1.1	+2.8	+8.0	
Hong Kong (Hang Seng)	23,523.3	+1.5	+0.9	+1.0	
India (BSE)	25,549.7	+0.4	+20.7	+24.1	
Indonesia (JSX)	5,113.9	+1.8	+19.6	+24.5	
Malaysia (KLSE)	1,886.7	-0.2	+1.1	+3.8	
Pakistan (KSE)	29,776.2	+1.0	+17.9	+25.6	
Singapore (STI)	3,304.4	+0.9	+4.3	+6.0	
South Korea (KOSPI)	2,013.5	+0.6	+0.1	+2.4	
Taiwan (TWI)	9,484.7	-0.1	+10.1	+9.4	
Thailand (SET)	1,530.4	+1.5	+17.8	+20.6	
Argentina (MERV)	8,548.5	+2.7	+58.6	+26.8	
Brazil (BVSP)	55,717.4	+3.9	+8.2	+15.1	
Chile (IGPA)	19,285.5	-0.1	+5.8	-0.5	
Colombia (IGBC)	13,858.7	-0.8	+6.0	+9.6	
Mexico (IPC)	44,009.2	+0.7	+3.0	+4.3	
Venezuela (IBC)	2,118.0	-0.4	-22.6	na	
Egypt (Case 30)	8,593.3	+1.2	+26.7	+23.1	
Israel (TA-100)	1,261.5	+1.9	+4.5	+6.1	
Saudi Arabia (Tadawul)	9,810.8	+0.2	+14.9	+14.9	
South Africa (JSE AS)	52,076.9	+1.3	+12.6	+10.5	

Consumer food-price inflation

Consumers are experiencing more stable food prices and lower food-price inflation than in recent years, according to the "Agricultural Outlook, 2014-2023" from the OECD and FAO. People in rich countries are benefiting most. During the commodity-price boom of 2008 consumer food-price inflation peaked at 23% in Africa, falling to 6% at the start of 2014. In the mainly rich OECD countries it rose by only 7% and has since fallen to 2%. Food prices in China increased by 18% in the year to January 2008 but by only 3.7% in the year to January 2014. In the recession in 2009 food prices in the United States and Japan fell. But in India they jumped 21% in that year, thanks in part to rising incomes and demand.

Food prices, % increase on a year earlier



Sources: FAO; OECD *Brazil, Russia, India, China & South Africa

Other markets

	Index Jul 16th	% change on			
		one week	Dec 31st 2013 in local currency terms	in \$ terms	
United States (S&P 500)	1,981.6	+0.4	+7.2	+7.2	
United States (NASComp)	4,426.0	+0.2	+6.0	+6.0	
China (SSEB, \$ terms)	226.0	+0.9	-8.7	-10.9	
Japan (Topix)	1,273.6	+0.2	-2.2	+1.1	
Europe (FTSEurofirst 300)	1,376.3	+0.9	+4.6	+2.7	
World, dev'd (MSCI)	1,751.5	+0.3	+5.4	+5.4	
Emerging markets (MSCI)	1,066.8	+0.6	+6.4	+6.4	
World, all (MSCI)	431.2	+0.3	+5.6	+5.6	
World bonds (Citigroup)	948.5	-0.1	+4.6	+4.6	
EMBI+ (JPMorgan)	715.8	-0.3	+9.8	+9.8	
Hedge funds (HFRX)	1,242.0*	-0.2	+1.3	+1.3	
Volatility, US (VIX)	11.0	+11.7	+13.7 (levels)		
CDSs, Eur (ITRAXX)†	60.1	-2.2	-12.4	-14.0	
CDSs, N Am (CDX)†	57.0	-0.4	-8.4	-8.4	
Carbon trading (EU ETS) €	6.1	+3.9	+20.5	+18.3	

Sources: Markit; Thomson Reuters. *Total return index.

†Credit-default-swap spreads, basis points. ‡Jul 15th.

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The Economist commodity-price index

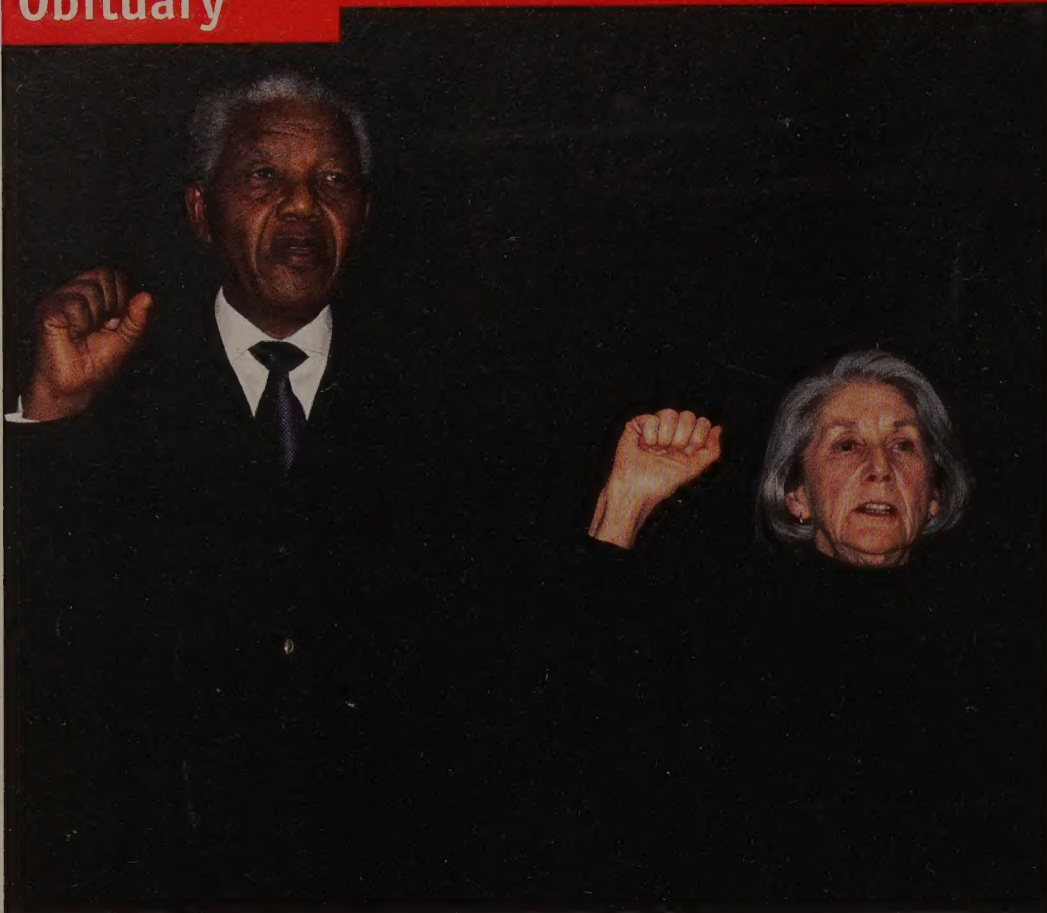
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	% change on			
	Jul 8th	Jul 15th*	one month	one year
Dollar Index				
All Items	168.9	163.9	-2.5	-2.8
Food	188.6	179.5	-6.1	-7.5
Industrials				
All	148.5	147.6	+2.6	+3.9
Nfa†	143.9	142.3	-3.4	-8.3
Metals	150.4	149.9	+5.2	+9.8
Sterling Index				
All items	179.5	173.8	-3.5	-14.3
Euro Index				
All items	154.3	150.1	-2.7	-5.9
Gold				
\$ per oz	1,315.6	1,297.8	+2.2	+0.5
West Texas Intermediate				
\$ per barrel	103.6	99.7	-6.1	-5.8

Sources: Bloomberg; CME Group; Cotlook; Darmann & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional

†Non-food agricultural.





Nadine Gordimer

Nadine Gordimer, a South African writer and anti-apartheid advocate, died on July 13th, aged 90

SHE had a way of looking at you. Even in Stockholm, in demure navy Armani, sitting on the king's right at the banquet for her Nobel prize in 1991, she looked beady. Like a bird, a starling perhaps. Or a puff-back from the South African veld, with its loose grey feathers and eyes of flint.

Born in a small mining town east of Johannesburg after the Boer war, Nadine Gordimer was a child of empire. But there was no king and country on which to hang the family dreams, only South Africa. Her father, sent away from Latvia as a young teenager by a family that feared anti-Semitic pogroms, was ashamed of being poorly educated. Her middle-class English mother fretted that she had married beneath her. Ms Gordimer was kept at home from the age of ten, ostensibly because of a heart condition, but really so that her mother could call out the family doctor, for whom she had a weakness.

Thus Ms Gordimer's home life, oppressed by secrets and unspoken longings, and made liveable only by what she called "a certain dour tact", was lonely. Books became her friends. Chekhov and Dostoyevsky taught her the idiosyncrasies of human behaviour, Rilke filled the emptiness that religious faith could not. Proust showed her that sexual longing, so central to adolescent dreams, can be as

cruel as it is blissful. Yeats taught her about passion for justice. They all helped her make up her own mind, and unlike many South Africans at the time, she saw what she was looking at.

Even before the National Party passed its apartheid laws in 1948, blacks and whites were treated differently. That black miners pointed to items they wanted to buy from behind a grille, whereas she and her mother could go into a shop and try on 15 dresses, was something she never forgot. In her 20s she moved to Johannesburg, where she spent a year at the University of the Witwatersrand, long enough to make friends with blacks and with Bram Fischer (the model for the hero of "Burger's Daughter") and George Bizos, two lawyers who represented Nelson Mandela at the Rivonia trial where he was sentenced to life imprisonment in 1964. Mandela became a lifelong friend: she helped edit the famous speech that opened his defence; he read her work in jail; and when they met again after his release he spoke, not of her writing or his years on Robben Island, but of the discovery that his wife, Winnie, had been unfaithful while he was imprisoned.

In Johannesburg she also discovered the intellectual energy of bohemian, black Sophiatown and, soon after, the freedom of being newly divorced. Sexual liberation,

especially for women, would be a central theme of her work. She had been publishing short stories since she was 15 and was not yet 30 when her first novel, "The Lying Days", appeared.

In another time and another place Ms Gordimer might not have become a political writer. But she wrote of life around her, and the life around her was racist. Fiction, reading it and writing it, became synonymous with seeking truth. In 1953 the *New York Times* compared "The Lying Days" with Alan Paton's "Cry, the Beloved Country", which had come out five years before, and said that her book was "the longer, the richer, intellectually the more exciting".

Ms Gordimer's first story for the *New Yorker* in 1954 began the relationship that led to her renown outside South Africa. "Allusions in a Landscape" is a mordant tale about a white suburban housewife and a *wacher*, a Jewish watcher-over of the dead. There are no blacks in it, which is strange but also in a way symbolic. Her novels and short stories about apartheid made her famous, but her writer's eye was more ambitious and far subtler than that.

She could see her way into the lives of men and women, black and white, beyond South Africa's borders to other, independent African countries; even into a post-apartheid South Africa when such an idea was still unthinkable for many. Seamus Heaney called her one of "the guerrillas of the imagination." "The Conservationist" won the Booker prize in 1974.

"The Lying Days", written in the first person and with no plot or denouement, would hardly have been regarded as a novel 70 years ago, except by fans of James Joyce and Virginia Woolf. And yet the journey that Helen Shaw, the young white heroine, takes into the hovels of poor Johannesburg displays "the whole panorama of this explosive continent's most explosive corner", wrote one reviewer.

Freedom writer

The arrest of her best friend, Bettie du Toit, and the Sharpeville massacre in 1960 sharpened her political courage. She joined the then-illegal African National Congress (ANC), and for a while she and her second husband sheltered the ANC's president, Albert Luthuli, Africa's first Nobel laureate. Three of her books were banned. She spoke out fiercely against censorship, both before and after apartheid ended, and helped found the Congress of South African Writers, to which she gave part of her own Nobel prize money.

Asked what she had been searching for in the 70 or more authors she read as a judge of the Man Booker international prize in 2007, she replied, quick as a flash: "Illumination." It was what she sought to convey in her fiction. Hers was writing that helped people look each other in the eye. ■

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